GVT (Holding) S.A.
(Publicly-held Company)

Financial statements
December 31, 2009 and 2008

(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil)

GVT (Holding) S.A.

(Publicly-held Company)

Financial statements

December 31, 2009 and 2008

Contents

KPMG Auditores Independentes
Al. Dr. Carlos de Carvalho, 417 - 16º
80410-180 - Curitiba, PR - Brazil
P.O Box 13533
80420-990 - Curitiba, PR - Brazil

Central Tel 55 (41) 3544-4747
Fax 55 (41) 3544-4750
Internet www.kpmg.com.br

Independent auditors' report

To
The Board of Directors and Shareholders
GVT (Holding) S.A.
Curitiba - PR

1 We have audited the accompanying balance sheets of GVT (Holding) S.A. and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity, cash flows and added value for the years then ended, which are the responsibility of its Management. Our responsibility is to express an opinion on these financial statements.

2 Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by the Company and its subsidiaries' management, as well as the presentation of the financial statements taken as a whole.

3 In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of GVT (Holding) S.A. and the consolidated financial position of the Company and its subsidiaries as of December 31, 2009 and 2008, and the results of its operations, changes in its shareholders' equity, cash flows and added value from its operations for the years then ended, in conformity with accounting practices adopted in Brazil.

Curitiba, February 23, 2010

KPMG Auditores Independentes
CRC 2SP014428/O-6-F-PR

Wladimir Omiechuk
Accountant CRC 1RS041241/O-2-S-PR

João Alberto Dias Panceri
Accountant CRC 1PR048555/O-2

GVT (Holding) S.A.

(Publicly-held Company)

Balance sheets

December 31, 2009 and 2008

(In thousands of Reais)

		Parent Company		Consolidated	
Assets	**Note**	**2009**	**2008**	**2009**	**2008**
Current assets					
Cash and cash equivalents	5	140,231	10,753	700,346	497,470
Trade accounts receivable	6	-	-	439,674	390,103
Recoverable taxes	7	13	9,229	59,383	47,985
Deferred income and social contribution taxes	7	10,936	-	43,119	22,357
Related parties	10	91,150	69,693	-	-
Prepaid expenses		-	-	3,921	2,416
Other assets	9	313	160	13,727	17,232
		242,643	89,835	1,260,170	977,563
Noncurrent assets					
Long-term assets					
Recoverable taxes	7	-	-	46,257	41,666
Deferred income and social contribution taxes	7	3,246	-	123,764	242,091
Collateral account - Meridiana Cayman	8	13,771	23,370	13,771	23,370
Advance for future capital increase	10	1,000	948,162	-	-
Related parties	10	433,141	681,421	-	-
Other assets	9	87	49	70,437	37,355
		451,245	1,653,002	254,229	344,482
Investments	12	1,439,682	111,757	-	-
Goodwill	12	-	-	14,771	14,771
Property and equipment	11	-	-	2,007,666	1,749,118
Intangible assets	13	-	-	194,272	155,274
Deferred charges		-	-	2,203	7,055
		1,890,927	1,764,759	2,473,141	2,270,700
		2,133,570	1,854,594	3,733,311	3,248,263

		Parent Company		Consolidated	
Liabilities	**Note**	**2009**	**2008**	**2009**	**2008**
Current liabilities					
Accounts payable to suppliers		291	277	241,592	173,478
Loans and financing	14	-	-	67,119	29,306
Accrued expenses and payroll		1,290	1,604	91,251	73,332
Deferred income and social contribution taxes	7	-	19,262	-	19,262
Interconnection payable ("DETRAF")		-	-	43,599	45,434
Deferred value added tax ("ICMS")	17	-	-	45,559	44,494
Contingencies	16	-	-	3,269	2,709
Other payables		-	-	3,760	6,721
		1,581	21,143	496,149	394,736
Noncurrent liabilities					
Loans and financing	14	-	-	786,408	752,763
Deferred value added tax ("ICMS")	17	-	-	156,111	150,814
Contingencies	16	-	-	16,274	19,665
Collateral account - Meridiana Cayman	8	13,771	23,370	13,771	23,370
Interconnection payable ("DETRAF")	9	-	-	56,439	25,889
Deferred income and social contribution taxes	7	-	18,032	-	18,032
Deferred income	19	-	-	36,694	15,901
Other payables	18	-	-	53,247	55,044
		13,771	41,402	1,118,944	1,061,478
Shareholders' equity					
Capital	20	1,510,239	1,374,699	1,510,239	1,374,699
Capital reserves	20	930,993	930,993	930,993	930,993
Stock options granted	20	126,569	76,154	126,569	76,154
Cumulative translation adjustments	20	-	(6,379)	-	(6,379)
Accumulated losses	20	(449,583)	(583,418)	(449,583)	(583,418)
		2,118,218	1,792,049	2,118,218	1,792,049
		2,133,570	1,854,594	3,733,311	3,248,263

See the accompanying notes to the financial statements.

GVT (Holding) S.A.

(Publicly-held Company)

Statements of income

Years ended on December 31, 2009 and 2008

(In thousands of Reais, except for the net income per share)

	Note	Parent Company		Consolidated	
		2009	2008	2009	2008
Gross revenues					
Telecommunication services rendered		-	-	2,771,023	2,129,427
Sales taxes and deductions		-	-	(1,071,917)	(809,243)
Net revenues		-	-	1,699,106	1,320,184
Costs of services rendered		-	-	(880,799)	(713,221)
Gross profit		-	-	818,307	606,963
Operating income (expenses)		96,004	76,967	(563,210)	(556,904)
Selling expenses		-	-	(339,388)	(247,874)
Administrative and general expenses		(51,709)	(23,041)	(226,729)	(158,714)
Exchange (losses) gains		(169,566)	151,199	98,456	(98,693)
Financial income	21	68,523	39,455	76,237	53,927
Financial expenses	21	(319)	(276)	(130,772)	(91,829)
Equity in net income (loss) of subsidiary	12	249,075	(85,044)	-	-
Other operating expenses		-	(5,326)	(41,014)	(13,721)
Net operating income before employees' profit sharing		96,004	76,967	255,097	50,059
Employees' profit sharing		-	-	(11,525)	(10,933)
Net operating income before income and social contribution taxes		96,004	76,967	243,572	39,126
Current income and social contribution taxes	7	(15,901)	(9,055)	(51,723)	(23,431)
Deferred income and social contribution taxes gain (loss)	7	51,477	(37,294)	(60,269)	14,923
Net income for the year		131,580	30,618	131,580	30,618
Net income per share - R$		0.96	0.24		
Number of shares at year-end		137,244,566	128,280,098		

See the accompanying notes to the financial statements.

GVT (Holding) S.A.

(Publicly-held Company)

Statements of changes in shareholders' equity

Years ended on December 31, 2009 and 2008

(in thousands of Reais)

		Capital reserves				
	Capital	Premium on shares subscription	Stock options granted	Cumulative translation adjustments	Accumulated losses	Total
Balances at January 1, 2008	1,367,799	930,993	-	-	(571,029)	1,727,763
First-time adoption of Law 11638/07 and MP 449/08 adjustments:						
Stock options granted - up to 2007	-	-	54,197	-	(54,197)	-
Present value adjustments of subsidiary assets and liabilities	-	-	-	-	11,190	11,190
Capital increase (*)	6,900	-	-	-	-	6,900
Stock options granted - 2008	-	-	21,957	-	-	21,957
Foreign subsidiary translation gain	-	-	-	(6,379)	-	(6,379)
Net income for the year	-	-	-	-	30,618	30,618
Balances at December 31, 2008	1,374,699	930,993	76,154	(6,379)	(583,418)	1,792,049
Capital increase (*)	135,540	-	-	-	-	135,540
Stock options granted	-	-	50,415	-	-	50,415
Foreign subsidiary translation gain	-	-	-	8,634	-	8,634
Realization of foreign subsidiary translation gain	-	-	-	(2,255)	2,255	-
Net income for the year	-	-	-	-	131,580	131,580
Balances at December 31, 2009	1,510,239	930,993	126,569	-	(449,583)	2,118,218

(*) Regarding the exercise of the options granted and vested.

See the accompanying notes to the financial statements.

GVT (Holding) S.A.

(Publicly-held Company)

Statements of cash flows - indirect method

Years ended on December 31, 2009 and 2008

(In thousands of Reais)

	Parent company		Consolidated	
	2009	**2008**	**2009**	**2008**
Cash flows from operating activities				
Net income for the year	131,580	30,618	131,580	30,618
Adjustments for:				
Depreciation and amortization	-	-	358,403	285,667
Goodwill amortization	-	5,378	-	6,456
Unrealized exchange variation on loans and financing	-	-	(97,668)	109,655
Equity method (gains) losses	(249,075)	85,044	-	-
Deferred income tax and social contribution	(51,477)	37,294	60,269	(14,923)
Financial charges	-	-	90,995	57,691
Stock options granted	50,415	21,957	50,415	21,957
Profit on sale of fixes assets	-	-	6,482	3,654
Changes in assets and liabilities				
Increase in trade accounts receivable	-	-	(49,571)	(107,351)
Decrease (increase) in recoverable taxes - current and noncurrent	9,216	1,391	(15,989)	(15,517)
Decrease (increase) in other assets - current and noncurrent	226,633	(257,096)	(31,081)	(28,441)
Increase in accounts payable to suppliers	14	201	68,114	98,955
(Decrease) increase in accrued expenses and payroll	(314)	1,603	17,919	15,465
Increase in interconnection payable ("DETRAF") - current and noncurrent	-	-	28,715	17,603
Increase in deferred value added tax ("ICMS") - current and noncurrent	-	-	6,362	9,987
Decrease in provision for contingencies - current and noncurrent	-	-	(2,831)	(9,109)
Increase (decrease) in deferred income	-	-	20,793	(967)
Decrease in other accounts payable - current and noncurrent	-	-	(4,757)	(560)
Net cash provided by (used in) operating activities	116,992	(73,610)	638,150	480,840
Cash flows from investing activities				
Purchases of property, equipment and intangibles	-	-	(657,579)	(720,806)
Increase in deferred charges, fully amortized during the year	-	-	-	(4,220)
Incorporation and increase in investments in subsidiaries	(1,070,216)	71,541	-	-
Increase in advance for future capital increase	947,162	(498,018)	-	-
Net cash used in investing activities	(123,054)	(426,477)	(657,579)	(725,026)
Cash flows from financing activities				
Capital increase	135,540	6,900	135,540	6,900
Interest payment on loans and financing	-	-	(78,888)	(61,625)
Loans and financing from related parties and third parties	-	-	193,668	252,481
Prior year adjustments resulting from the first-time adoption of Law 11,638/07	-	-	-	11,190
Payment of loans and financing	-	-	(28,015)	(30,108)
Net cash provided by financing activities	135,540	6,900	222,305	178,838
Increase (decrease) in cash and cash equivalents	129,478	(493,187)	202,876	(65,348)
Changes in cash and cash equivalents				
Cash and cash equivalents at the beginning of year	10,753	503,940	497,470	562,818
Cash and cash equivalents at the end of year	140,231	10,753	700,346	497,470
	129,478	(493,187)	202,876	(65,348)
Income tax and social contribution paid	6,554	7,460	39,451	20,595

See the accompanying notes to the financial statements.

GVT (Holding) S.A.

(Public-held company)

Statements of added value

Years ended on December 31, 2009 and 2008

(In thousands of Reais)

	Parent company		Consolidated	
	2009	**2008**	**2009**	**2008**
Revenues	**-**	**-**	**2,134,654**	**1,674,319**
Services rendered	-	-	2,126,940	1,654,277
Other revenues	-	-	7,854	8,484
Revenue from internally generated assets	-	-	87,314	72,661
Allowance for doubtful accounts - increment	-	-	(87,454)	(61,103)
Third party added value (including taxes)	**445**	**22,489**	**887,266**	**715,108**
Costs of services rendered	-	-	618,737	499,676
Materials, energy, third party services and others	507	22,489	111,353	142,537
Loss of assets	-	-	12,942	15,487
Other	**(62)**	**-**	**144,234**	**57,408**
Contingencies	(307)	-	8,902	1,675
Commissions	-	-	51,713	42,473
Events, training, travel and marketing	245	-	70,007	9,672
Insurance and maintenance	-	-	13,612	2,662
Other	-	-	-	926
Gross added value	**(445)**	**(22,489)**	**1,247,388**	**959,211**
Depreciation and amortization	-	5,378	358,401	292,123
Net value added by the Company	**(445)**	**(27,867)**	**888,987**	**667,088**
Added value received in transfer	**317,598**	**105,664**	**76,237**	**54,000**
Equity in net income (loss) of subsidiary	249,075	(85,044)	-	-
Financial income	68,523	190,708	76,237	54,000
Other	-	-	-	-
Total added value to destinate	**317,153**	**77,797**	**965,224**	**721,088**
Destination of added value	**317,153**	**77,797**	**965,224**	**721,088**
Staff	**50,674**	**157**	**296,578**	**188,354**
Direct payment	50,674	157	250,502	154,240
Benefits	-	-	33,079	23,893
FGTS (social security)	-	-	12,997	10,221
Taxes	**(35,573)**	**46,354**	**503,011**	**308,461**
Federal	(35,573)	46,354	226,974	90,591
State	-	-	275,093	217,240
City	-	-	944	630
Third parties' financial compensation	**170,472**	**668**	**34,055**	**193,655**
Interest	169,882	275	31,875	190,270
Rentals	590	393	2,175	3,385
Other	-	-	5	-
Shareholders' financial compensation	**131,580**	**30,618**	**131,580**	**30,618**
Retained earnings	131,580	30,618	131,580	30,618

See the accompanying notes to the financial statements.

GVT (Holding) S.A.

(Publicly-held Company)

Notes to the financial statements

December 31, 2009 and 2008

(In thousands of Reais)

1 Operations

The Company's corporate purpose is managing interests of companies that provide telecommunication services, voice and data transmission, media and other related activities. On September 30, 1999, its subsidiary Global Village Telecom Ltda. ("GVT Ltda.") obtained from Agência Nacional de Telecomunicações – ANATEL (National Telecommunications Agency), the right to provide fixed telephony services in the Region II of the General Authorizations Plan. The Company obtained from ANATEL the license to operate local and long-distance services in all the regions Brazil. GVT Ltda is operating in 84 cities throughout Brazilian national territory. In November 2006, GVT Ltda. received the remaining licenses of the fixed telecommunications service program ("Serviço Telefônico Fixo Comutado" – STFC) for all the regions in Brazil (for which it already had authorization to provide services only to some regions). With this addition, the Company has STFC authorization to provide services in the entire national territory. GVT Ltda. also holds a license to provide multimedia communication services.

POP Internet Ltda. (indirect subsidiary) is a free internet service and content provider. The Company competes with other free internet service providers and with several other paid internet service providers in the dial-up market, as well as broadband service providers.

Innoweb Ltda. (indirect subsidiary) provides voice services based on VoIP technology, which enables phone calls over the internet at lower costs when compared to standard telecommunications, using dedicated circuits. Currently, the service is provided under the additional SCM license obtained from ANATEL through authorization term 31/2006 dated April 7, 2006.

On February 22, 2007, GVT (Holding) S.A. completed its initial public offering of shares (IPO) starting to integrate the segment called *Novo Mercado* of the *Bolsa de Valores, Mercadorias e Futuros S.A.* (BM&FBOVESPA).

On December 13, 2007, GVT (Holding) S.A. acquired the Company Meridiana Cayman, located at the Cayman Islands. Meridiana Cayman was the indirect controller of 100% of the capital of Geodex Communications do Brasil S.A (“Geodex”). Geodex initiated its operations in 2000 in the telecommunications market, offering long distance backbone, mainly to the carrier segment, with a network of more than 11,000 km (unaudited) of fiber optics with the SDH (Synchronous Digital Hierarchy) and DWDM (Dense Wavelength Division Multiplexing) technologies, covering the Brazilian South to Northeast areas.

In continuation of the acquisition process described above, the Company built a plan for extinguishment and merger of the companies Meridiana Cayman, Meridiana Empreendimentos e Participações S.A. (“Meridiana Empreendimentos”), Geodex and Mokong Telecomunicações e Participações S.A. (“Mokong”). The process involves six stages: (1) transfer of the quotas of Meridiana Cayman to GVT Ltda., (2) extinguishment of Meridiana Cayman with the assumption of its rights and obligations by GVT Ltda., including the shares of Meridiana Empreendimentos and loans; (3) extinguishment of Mokong, (4) merger of Geodex into Meridiana Empreendimentos, (5) merger of Meridiana Empreendimentos into GVT Ltda., and (6) return of Geodex’s multimedia communication service (SCM) license to the National Telecommunications Agency (ANATEL).

Stages (1) and (2) had been carried out by December 31, 2008. Stage (3) had been carried out by March 31, 2009. Stages (4) and (5) had been carried out by September 30, 2009. Stage (6) was filed with the Anatel in October 6, 2009 and waits for approval.

On November 13, 2009 a Material Fact was released informing that Vivendi S.A. (“Vivendi”) had entered into an agreement with the controlling shareholders of GVT (Holding) S.A. (Swarth Group and GVT Holland), what resulted in the acquisition of 38,422,666 shares at a price of R$56.00 per share. In this Material Fact, it was informed that Vivendi had: (a) purchased directly from other shareholders, 10,286,631 shares of GVT (Holding) S.A., and (b) entered into purchase options with third parties, acquiring thereby the right to purchase 25,134,327 shares of GVT Holding S.A.. Thus, Vivendi, on November 13, 2009, acquired rights to over 50% of the share capital of the Company, becoming, on that date, its new controlling shareholder.

This transfer of control had been previously approved by Anatel on November 12, 2009. In addition, the shareholders in the general meeting held on November 3, 2009, waived the application of the Protection of Dilution of Ownership Interest under Articles 43 and 44 of the Company's bylaws (the "poison pill").

At the extraordinary general meeting on December 10, 2009, Ron Zuckerman, Zvi Limon, Jean-Manuel Rozan, Avraham Fischer and Shaul Shani were dismissed from the board of directors of the Company and Jean-Bernard Lévy, Philippe Capron, Régis Turrini and Caroline Le Masne de Chermont were elected, all nominated by Vivendi. On December 28, 2009, Mr. Jean-Bernard Lévy, Vivendi's CEO, was elected chairman of the board of GVT (Holding) S.A.

Continuing the restructuring process, the Company has sold GVT Capital N.V., headquartered in the Dutch Antilles, which was a wholly owned subsidiary of GVT Ltda. This process was conducted in the following steps: (1) on December 29, 2009, GVT (Holding) S.A. transfered its claims arising from loans contracted with GVT Capital N.V. to GVT Ltda.; (2) GVT Ltda. converted all its claims (including those recently assumed) to a stake in GVT Capital N.V.; (3) GVT Capital N.V. sold to GVT Ltda. its entire shareholdings in subsidiary Global Village Management Co. and GVT Finance LLC, companies headquartered in Delaware, United States of America; and (4) GVT Ltda. sold its entire stake in GVT Capital N.V. to a third party, Centennial Management N.V., not a part of GVT's economic group.

2 Presentation of the financial statements

The individual and consolidated financial information have been prepared in accordance with accounting practices adopted in Brazil, which include corporate law, standards, guidelines and interpretations of the Accounting Pronouncements Committee (CPC), and the rules of the Brazilian Securities and Exchange Commission (CVM).

The authorization for the issuance of these financial statements was given by the Board of Directors on February 23, 2010.

(In thousands of Reais)

3 Description of significant accounting policies

3.1 Reclassifications in comparative financial statements

Some balances for December 31, 2008 were reclassified to allow comparison with the December 31, 2009 financial statements, as follows:

	December 2008		
	Previously published balance	Reclassifications	Comparative figures presented in this report
Assets			
Current assets			
Accounts payable to suppliers	199,367	(25,889)	173,478
Interconnection payable ("DETRAF")	-	25,889	25,889

3.2 Description of significant accounting practices

Statement of Income

Income is recognized on an accrual basis.

Revenues are recognized when services are rendered. Revenues from unbilled services rendered are estimated and recognized on an accrual basis. Revenues originating from installation services are recognized at the moment of customers' service activation. Revenues are not recognized if there are significant uncertainties as to its realization.

Accounting estimates

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that Management uses its judgment in determining and recording accounting estimates. Assets and liabilities subject to these estimates and assumptions include the carrying amount of property and equipment, intangible assets, deferred charges, impairment, allowance for doubtful accounts, deferred income tax assets, provision for contingencies, and financial instruments valuation. The settlement of transactions involving these estimates may result in amounts that vary from the estimates due to the imprecision inherent to the process of their determination. The Company reviews the estimates and assumptions at least quarterly.

Financial instruments

Non-derivative financial instruments include financial applications, accounts receivable and other receivables, including cash and cash equivalents, loans and financing, as well as accounts payable and other debts.

Non-derivative financial instruments are initially recognized at their fair value plus, for instruments that are not recognized at fair value in income, of any directly attributable transaction costs. After their initial recognition, non-derivative financial instruments are recognized, as described below:

Held to maturity instruments

They are non-derivative financial assets with fixed or determinable payments and maturities set for which the Company has the positive intention and ability to hold to maturity; these are classified as held to maturity. Investments held to maturity are measured at their amortized cost using the effective interest rate, less any reduction in its recoverable amount.

Available for sale instruments

The Company's investments in equity instruments and certain assets related to debt instruments are classified as available for sale. Subsequent to initial recognition, they are measured at fair value and its fluctuations, except for reductions in their recoverable amount, and the differences of these instruments in foreign currencies are recognized directly in shareholders’ equity, net of tax effects. When an investment is written off/liquidated, the cumulative gain or loss in shareholders’ equity is recognized in income. On December 31, 2009 the Company had no financial instruments classified as available for sale.

Financial instruments at fair value in income

An instrument is classified at fair value through profit or loss if held for trading, or designated as such upon initial recognition. Financial instruments are designated at fair value in income if the Company manages these investments and makes decisions to buy and sell based on their fair value according to the investment strategy and risk management, documented by the Company. After initial recognition, direct attributable transaction costs are recognized in income when incurred. Financial instruments at fair value through income are measured at fair value, and its fluctuations are recognized in income. On December 31, 2009 the Company had no instruments available for sale.

Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest rate method, reduced by any reductions in the recoverable amount.

Foreign currency

Management has defined that its functional currency is the Brazilian Real in accordance with the rules established in CPC 02 - Effects of the Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution 534.

Transactions in foreign currency, i.e. all transactions that are not carried out in the functional currency, are translated at the exchange rate on the dates of each transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate at the balance sheet date. Profits and losses from variation in the exchange rates on the monetary assets and liabilities are recognized in the statement of income. Non-monetary assets and liabilities acquired or contracted in foreign currency are translated based on the exchange rates on the dates of the transactions or on the dates of valuation at fair value when this is used. The profits and losses arising from changes in foreign investments are recognized directly in shareholders' equity under cumulative translation adjustments and recognized in the statement of income when these investments are fully or partially liquidated, since Management concluded that the U.S. dollar is the functional currency of these investments. The financial information of foreign indirect subsidiaries are adjusted to accounting practices in Brazil and, subsequently, translated to the local functional currency at the exchange rate at the balance sheet date.

Current and noncurrent assets

Trade accounts receivable

Relates to amounts originated from the telecommunication services, measured at the moment the services were rendered, billed or not at the balance sheet date, including taxes the respective payable by the Company, less withholding taxes, which are considered tax credits.

The allowance for doubtful accounts was calculated at an amount considered adequate by Management to cover any losses in the realization of credits.

Investments (parent Company)

Investments in subsidiaries were valued using the equity method of accounting. Goodwill and negative goodwill are presented net in a specific account.

Exchange differences on foreign investments are recognized in the account of cumulative translation adjustments in shareholders' equity.

Property and equipment

Property and equipment are recorded at the cost of acquisition, formation or construction, including interest and other financial charges capitalized. Depreciation is calculated using the straight-line method at rates described in Note 11, which takes into account the estimated useful lives of the assets.

Other expenditures are capitalized only when there is an increase in the economic benefits of an item of property and equipment. All other expenditures are recognized in income as an expense when incurred.

Leases

- **Finance leases**

  Certain lease agreements substantially transfer to the Company the risks and benefits inherent to the ownership of an asset. These agreements are defined as finance lease agreements and the assets are recognized at the lesser of their fair value or at the present value of the minimum lease payments established in contract. The items recognized as assets are depreciated according to the rates of depreciation applicable to each group of assets in accordance with Note 11. The financial charges arising from the finance lease agreements are charged to operations over the term of the agreement, based on the amortized cost and effective interest rate methods.

- **Operating leases**

  Payments made on an operating lease agreement are recognized as expenses in the statement of income in accordance with the straight line method over the term of the lease agreement.

Intangible assets (including goodwill)

Intangible assets are comprised of the assets acquired from third parties, including through a business combination, and those internally generated by the Company. The following criteria are applied:

- Acquired from third parties through the business combination: Goodwill on acquisitions involving business combinations.

- Intangible assets acquired from third parties: stated at the total cost of acquisition, less amortization costs.

- Internally generated intangible assets: recognized as assets only in the development stage, provided that the following criteria are met:

    - Technical feasibility of completing the intangible asset so that it will be available for use or sale;
    - Intention to complete the intangible asset and to use it;
    - Ability to use the intangible asset;
    - Existence of future economic benefits;
    - Availability of financial and technical resources for conclusion of the intangible asset; and
    - Ability to reliably measure the expenditures attributable to the intangible asset during its development.

The items recognized as intangible assets are amortized in accordance with the amortization rates applicable to each group of assets as per note 13.

Intangible assets with indefinite useful lives and goodwill for future profitability are not amortized and have their recoverable amount tested annually.

Deferred charges

Deferred charges refer to the Company’s pre-operating expenses. They are amortized using the straight line method over a period of 5 years.

The Company elected to maintain the 2007 balance of deferred charges until they are fully realized through amortization or write-off in the statement of income.

Impairment

The recoverable value of property and equipment, intangible assets with definite useful life and deferred charges is tested for impairment at least annually if there are indications of loss in value. The recoverable value of goodwill and intangible assets with indefinite useful life is tested for impairment annually, regardless of whether or not there are indications of loss in value.

Current and noncurrent liabilities

Current and noncurrent liabilities are stated at their known amounts or estimated values plus, when applicable, the corresponding charges and monetary and/or exchange variations incurred up to the balance sheet date. When applicable, current and noncurrent liabilities are stated at present value, on a transaction basis, based on the interest rates that reflect the term, the currency and the risk of each transaction. The contra entry of the present value adjustments is recorded against the accounts in the statement of income that gave rise to the aforementioned liability. The difference between the present value and the face value of the liability is charged to the statement of income over the period of the contract, based on the amortized cost and effective interest rate method.

A provision is recognized in the balance sheet when the Company has a legal or constituted obligation as a result of a past event and it is probable that an outlay of economic resources will be required to settle the obligation. Provisions are recorded utilizing the best estimates of the involved risk.

Loans and financing

They represent loan and financing agreements signed with financial institutions and equipment and service suppliers, stated in local and foreign currencies, plus exchange rate variations and financial charges according the contract terms, incurred up to the balance sheet date.

Deferred revenue

Refer to rents received in advance, without right of return, related to infrastructure lease agreements, recognized in the statement of income in accordance with the term of the agreements.

Deferred value added tax ("ICMS")

Relates to tax benefits from ICMS obtained in certain states to delay payment deadlines.

The present value adjustment was applied to obligations with deferred ICMS taxes for the state of Paraná and the Federal District (long term). The “FCA” index was used to calculate future value. Liabilities were discounted to present value using the SELIC (Brazilian Central Bank target overnight lending rate), which is the rate that best reflects the nature of the assets and liabilities to which the Company and its subsidiaries are exposed to.

Stock-based compensation

The effects of stock-based compensation plans are calculated based on the criteria described in Note 22 and recognized in shareholders’ equity and the statements of income as stipulated in the contracts.

Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus an additional 10% on taxable income over R$240 for income tax and 9% on taxable income for social contribution on net income, and consider the compensation of tax losses and negative social contribution bases, limited to 30% of the taxable income.

The deferred tax assets arising from tax losses, negative social contribution bases and temporary differences were recorded in accordance with CVM Instruction 371 dated June 27, 2002, and consider historical profitability and the expectations of future taxable income, based on a technical viability study approved by the management bodies.

(In thousands of Reais)

4 Consolidated financial statements

The consolidated financial statements include the financial information of GVT (Holding) S.A. and its direct and indirect subsidiaries, as listed below:

		Ownership percentage	
	Control	**2009**	**2008**
Global Village Telecom Ltda.	Direct	100%	100%
POP Internet Ltda.	Indirect	100%	100%
Innoweb Ltda.	Indirect	100%	100%
GVT Management	Indirect	100%	100%
GVT Finance LLC	Indirect	100%	100%
Meridiana Empreendimentos e Participações S.A. (*)	Indirect	-	100%
Geodex Communications do Brasil S.A. (*)	Indirect	-	100%
Mokong Telecomunicações e Participações S.A. (*)	Indirect	-	100%
GVT Capital N.V (**)	Indirect	-	100%

(*) These companies were merged in accordance with the Company's restructuring plan as described in note 1.

(**) This company was sold in accordance with the Company´s restructuring plan as described in note 1.

The accounting policies have been consistently applied in all the consolidated companies and are consistent with those used in the previous year.

Description of main consolidation procedures

a. Elimination of intercompany asset and liability account balances;

b. Elimination of interests in the capital and retained earnings or accumulated losses of the subsidiaries; and

c. Elimination of intercompany income and expense balances and unearned income arising from intercompany transactions.

(In thousands of Reais)

5 Cash and cash equivalents

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Cash and cash equivalents	86	267	10,529	16,008
Short-term investments	140,145	10,486	689,817	481,462
	140,231	10,753	700,346	497,470

The short-term investments have high liquidity, are readily convertible into a known amount of cash, and are subject to an insignificant risk of change in value.

On December 31, 2009 these marketable securities refer in the most part to Bank Deposit Certificates and Fixed Income Funds, which vary from 98% to 105% of the CDI (Interbank Deposit Certificate).

6 Trade accounts receivable (consolidated)

	2009	**2008**
Current:		
Billed	323,589	326,458
Unbilled	152,473	118,715
	476,062	445,173
Less:		
Allowance for doubtful accounts	(36,388)	(55,070)
	439,674	390,103

	2009	**2008**
Accounts receivable - Overdue		
1 to 90 days	76,330	94,486
More than 90 days	88,328	119,741
Total	164,658	214,227

(In thousands of Reais)

The allowance for doubtful accounts is recorded based on the amounts overdue for more than 90 days and the historical loss percentages. The values of credits in negotiation and credits in litigation are individually evaluated.

The write-off of overdue credits is done in accordance with Article 9, paragraph 1, item II of Law 9,430/96.

7 Recoverable and deferred taxes

a. Recoverable taxes

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
ICMS (VAT) (a)	-	-	101,252	77,811
Income and social contribution taxes	-	-	2,962	-
Withholding income tax at source on short term investments	13	9,229	219	10,064
Other	-	-	1,207	1,776
	13	9,229	105,640	89,651
Current	(13)	(9,229)	(59,383)	(47,985)
Noncurrent	-	-	46,257	41,666

(a) Refers mainly to credits originating from the acquisition of property and equipment, available for tax compensation at 1/48th per month.

The present value adjustment was applied to noncurrent ICMS credits originating from purchases of property and equipment using the SELIC rate (Brazilian Central Bank target overnight lending rate), which is the index that best reflects the nature of the assets the Company and its subsidiaries are exposed to.

(In thousands of Reais)

b. Deferred taxes

Deferred income tax and social contribution are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their carrying values.

In accordance with CVM Instruction 371, dated June 27, 2002, the Company, based on technical valuations approved by Management on the estimation of future taxable income, recognized tax credits on tax losses and negative social contribution bases of previous fiscal years, for which there is no statutory limitation period and whose compensation is limited to 30% of annual taxable income. The carrying value of the deferred tax assets is reviewed periodically and the projections are revised annually; if there are any relevant factors that may modify the projections, they are reviewed during the year by the Company.

These credits were not recorded for the indirect subsidiaries POP Internet Ltda. and Innoweb Ltda. due to the inexistence of the necessary requirements of past and/or future forecasts of taxable income. On December 31, 2009, these indirect subsidiaries had tax losses and negative social contribution bases in the following amounts:

	Income Tax loss Carry forwards	**Negative bases for CSLL**
Pop Internet Ltda.	42,224	42,314
Innoweb Ltda.	4,477	4,477
	46,701	46,791

(In thousands of Reais)

The origin of deferred income and social contribution taxes is presented below:

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Current assets				
Allowance for doubtful accounts	-	-	12,372	18,770
Other	-	-	-	(3,987)
	-	-	12,372	14,783
Noncurrent assets				
Tax loss carry forwards	5,836	10,378	192,373	207,595
Negative social contribution tax base	2,101	3,736	69,478	74,954
Unrealized exchange losses	6,245	-	-	-
Other	-	-	8,248	-
	14,182	14,114	270,099	282,549
Current liabilities				
Other	-	-	(5,360)	6,942
	-	-	(5,360)	6,942
Noncurrent liabilities				
Unrealized foreign exchange gains	-	(51,408)	(110,228)	(77,120)
	-	(51,408)	(110,228)	(77,120)
Total deferred income and social contribution taxes	14,182	(37,294)	166,883	227,154
Portion classified as current assets	10,936	-	43,119	22,357
Portion classified as noncurrent assets	3,246	-	123,764	242,091
Portion classified as current liabilities	-	(19,262)	-	(19,262)
Portion classified as noncurrent liabilities	-	(18,032)	-	(18,032)

Management considers that the deferred assets arising from temporary differences will be realized in proportion to the final resolution of the contingencies and the events.

Based on projected future taxable income, Management expects to recover the consolidated deferred income and social contribution taxes from tax loss carryforwards and negative social contribution within the following years:

2010	59,497
2011	53,806
2012	80,750
2013	67,798
	261,851

The expected recoverability of the deferred income and social contribution taxes is based on projections of future taxable income taking into consideration various business and financial assumptions made at the close of the fiscal year. Accordingly, these estimates may differ substantially from the effective taxable income in the future due to the inherent uncertainties involved in these estimates.

(In thousands of Reais)

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to income is presented below:

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Net income before income and social contribution taxes	96,004	76,967	243,572	39,126
Combined statutory tax rates	34%	34%	34%	34%
Income and social contribution taxes calculated at the combined statutory rates	(32,641)	(26,168)	(82,814)	(13,303)
Permanent differences and other:				
Net equity / loss with investments	84,686	(27,114)	(16,120)	(3,667)
Nondeductible goodwill amortization	-	(1,828)	-	(1,828)
Tax loss GVT carryforwards (Holding) S.A.	-	18,004	-	18,004
Adjustments arising from Law 11,638/07				
Stock-based compensation expenses	(17,141)	(7,465)	(17,141)	(7,465)
Present value adjustments of subsidiaries assets and liabilities recorded through equity pick-up	-	(1,778)	-	-
Other	672	-	4,083	(249)
	35,576	(46,349)	(111,992)	(8,508)
Income and social contribution taxes gain				
Current	(15,901)	(9,055)	(51,723)	(23,431)
Deferred	51,477	(37,294)	(60,269)	14,923
	35,576	(46,349)	(111,992)	(8,508)
Effective tax rate	37%	(60)%	(46)%	(22)%

(In thousands of Reais)

8 Collateral account – Meridiana Cayman

On December 13, 2007, as a result of the acquisition of the subsidiary Company Meridiana Cayman, amount of US$ 10,000 thousand was deposited in a collateral account to cover any contingencies that the Company may come to suffer as a result of the acquired Company's past operations, which will be released in 5 equal annual installments. In January 2009, the first installment of US$ 2,000 thousand was released. On December 31, 2009 the corresponding amount of R$ 13,771, due to the former shareholders, is recorded as a noncurrent liability (R$ 23,370 as of December 31, 2008).

9 Other credits

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Current				
Advances to suppliers	2	-	3,789	6,921
Advances to employees	-	-	6,140	3,826
Judicial deposits	-	-	-	2,150
Inventories	-	-	1,479	1,166
Others accounts receivable	311	160	2,319	3,169
	313	160	13,727	17,232
Noncurrent				
Judicial deposits	87	49	(a) 70,059	36,968
Other	-	-	378	387
	87	49	70,437	37,355

(In thousands of Reais)

(a) Of this amount, R$ 56,439 on December 31, 2009 (R$ 25,889 on December 31, 2008) is related to a legal dispute between one of the Company's subsidiary, GVT Ltda., and the operators of Personal Mobile Services (SMP), where GVT Ltda. requests a reduction of the amount of VU-M charged by the SMP. On October 15, 2007, GVT Ltda. obtained an injunction to make judicial deposits for the amount equivalent to the difference between the R$ 0,2899 per connection minute (VC1) and the amount charged by the SMP. The amounts that correspond to these judicial deposits have already been recognized as a liability in the "Interconnection payable ("DETRAF")" account against "Cost of services rendered" at the time that the court deposits are recognized.

10 Related party transactions

The principal balances of assets and liabilities and the transactions that affected the statements of income for the period, relative to related party transactions, refer to transactions between the Company and its subsidiaries, key professionals of the Management and other related parties. The balances that were not eliminated in the parent-only corporate balances, held with subsidiaries and fully eliminated in the consolidated balances are:

a) Consolidated companies

Loans receivable		**2009**			**2008**		
		Assets		**Income**	**Assets**		**Income**
		Current	**Non current**		**Current**	**Non current**	
GVT Capital	(i)		-	12,015	4,985	52,676	17,088
GVT Ltda.	(i)	-	45,817	-	-	-	-
GVT Ltda.	(ii)	-	-	9,388	4,751	108.887	4,420
GVT Ltda.	(iii)	91,150	387,324	101,340	59,957	519,858	163,993
		91,150	433,141		69,693	681,421	
AFAC – GVT Ltda.	(iv)		1,000			948,162	

(In thousands of Reais)

(i) On October 19, 2007, GVT (Holding) S.A. lent its wholly owned subsidiary, GVT Capital N.V., US$ 22,500, maturing on June 30, 2011, subject to LIBOR plus 3% interest per year. The funds were used to repay part of the outstanding liabilities of the subsidiary in loans abroad. On December 29, 2009, the loan of GVT (Holding) S.A. to Capital N.V. was given to GVT Ltda. In return, GVT Ltda. issued a promissory note in favor of GVT (Holding) S.A. for US$ 26,313 thousand (equivalent to the original principal of US$ 22,500 thousand plus accrued interest through December 31, 2009). The maturity date and other economic conditions of the loan remained the same. Subsequently, GVT Ltda. converted all its claims (including the given on us) into a shareholding interest in GVT Capital N.V. (see Note 1).

(ii) On November 4, 2009 GVT (Holding) S.A. converted it loans to GVT Ltda. in the amount of R$ 71,541 and R$ 37,346 made to GVT Ltda. into equity interest as per the 25th amendment of contract.

(iii) In 2007, prior to the IPO, GVT (Holding) S.A. converted into shares of its own issue part of the debt of GVT Ltda. with external creditors. Thus GVT Ltda. owes US$ 222,447 million directly to the GVT (Holding) S.A., with interest of 12% p.a. and maturing in June of 2011. On December 31, 2009 the outstanding balance of this operation is R$ 478,474 (principal plus interest).

(iv) On November 4, 2009, GVT (Holding) S.A. converted the advance for future capital increase (AFAC) in the amount of R$ 947,162 into equity interest in its subsidiary GVT Ltda., as per the 25th amendment of contract. GVT (Holding) S.A. has also AFAC in its indirect subsidiary Innoweb Ltda., in the amount of R$ 1,000.

b) Other related party transactions

Balances of operations with other related parties are:

			2009		**2008**	
	Transaction		**Current liabilities**	**Income (expenses)**	**Current liabilities**	**Income (expenses)**
ECI Telecom do Brasil Ltda.	Accounts payable	(v)	2,012	-	15,570	-

(In thousands of Reais)

(v) On January 14, 2008, GVT Ltda. and ECI Telecom do Brasil Ltda. (ECI) entered into an agreement for purchase of equipment. This agreement resulted from a reply to a request for a commercial proposal issued by GVT Ltda. in November of 2007. Total purchases in 2009 were R$ 29,869. The balance payable to ECI on December 31, 2009 was R$ 2,012. ECI is a Company controlled by the ex-president of the Board of Directors, Mr. Shaul Shani, who was replanced at the Company's extraordinary general meeting on December 10, 2009.

Commercial transactions of contracting services with related parties are conducted under normal market conditions.

c) Key management compensation

The amounts referring to the key management compensation are presented below:

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Short-term benefits	259	140	9,430	11,602

d) Stock options plan

Moreover, stock options granted to key management, as part of the stock options plan, represented expenses of R$ 31,015 in the period ended December 31, 2009, of which R$ 7,258 relates to an antecipation or the vesting plan as a result or the change in control occurred on November 13, 2009 (see note 22).

(In thousands of Reais)

11 Property and equipment (consolidated)

		2009				
Aquisition cost	**Annual Deprec. %**	**Beginning balance**	**Additions**	**Disposals**	**Transfers**	**Ending balance**
Switch equipment	8	745,829	117,448	(1,495)	(22,989)	838,793
Transmission equipment	10	490,127	53,744	(1,669)	(19,438)	522,764
Infrastructure	10	1,198,329	270,868	(6,654)	48,813	1,511,356
Installation cost	50	172,147	59,903	-	-	232,050
Buildings	4	36,534	11,769	-	(7,951)	40,352
Vehicles	20	13,533	4,680	(788)	(24)	17,401
Furniture and fixtures	10	84,298	23,895	(1,273)	1,868	108,788
Computer - Hardware	20	112,957	34,173	(3,068)	446	144,508
Other assets	10	3,044	754	-	7,261	11,059
Construction in progress		5,437	308	-	(5,745)	-
Advances to suppliers		4,765	1,931	-	(2,241)	4,455
		2,867,000	579,473	(14,947)	-	3,431,526

	2009				
Accumulated depreciation	**Beginning balance**	**Additions**	**Disposals**	**Transfers**	**Ending balance**
Switch equipment	(275,759)	(54,161)	698	-	(329,222)
Transmission equipment	(280,810)	(49,018)	1,287	-	(328,541)
Infrastructure	(326,384)	(136,890)	3,329	-	(459,945)
Installation cost	(130,174)	(42,345)	-	-	(172,519)
Buildings	(7,034)	(1,243)	-	-	(8,277)
Vehicles	(3,433)	(2,704)	519	-	(5,618)
Furniture and fixtures	(29,923)	(9,991)	705	-	(39,209)
Computer - Hardware	(61,339)	(18,117)	2,899	-	(76,557)
Other assets	(3,026)	(946)	-	-	(3,972)
	(1,117,882)	(315,415)	9,437	-	(1,423,860)
	1,749,118	264,058	(5,510)	-	2,007,666

(In thousands of Reais)

Acquisitions cost	Annual Deprec. %	2008 Beginning balance	Additions	Disposals	Transfers	Ending balance
Switch equipment	8	594,578	143,125	(1,790)	9,916	745,829
Transmission equipment	10	435,246	48,762	(946)	7,065	490,127
Infra-structure	10	861,122	329,855	(1,742)	9,094	1,198,329
Installation cost	50	127,200	44,947	-	-	172,147
Buildings	4	28,481	8,312	(167)	(92)	36,534
Vehicles	20	10,330	4,272	(2,275)	1,206	13,533
Furniture and fixtures	10	61,675	23,114	(484)	(7)	84,298
Computer - Hardware	20	95,149	23,291	(615)	(4,868)	112,957
Other assets	10	3,031	13	-	-	3,044
Construction in progress		1,269	26,484	(2)	(22,314)	5,437
Advances to suppliers		4,221	544	-	-	4,765
		2,222,302	652,719	(8,021)	-	2,867,000

Accumulated depreciation	2008 Beginning balance	Additions	Disposals	Transfers	Ending balance
Switch equipment	(223,747)	(52,640)	628	-	(275,759)
Transmission equipment	(234,455)	(46,646)	291	-	(280,810)
Infra-structure	(235,543)	(91,648)	807	-	(326,384)
Installation cost	(98,079)	(32,095)	-	-	(130,174)
Building	(5,860)	(1,179)	5	-	(7,034)
Vehicles	(3,084)	(2,159)	1,810	-	(3,433)
Furniture and fixtures	(23,262)	(6,928)	267	-	(29,923)
Computer - Hardware	(51,850)	(10,048)	559	-	(61,339)
Other assets	(3,018)	(8)	-	-	(3,026)
	(878,898)	(243,351)	4,367	-	(1,117,882)
	1,343,404	409,368	(3,654)	-	1,749,118

(In thousands of Reais)

Impairment

During the year ended December 31, 2009, the Company did not identify the existence of indicators that show certain assets may be above its recoverable amount.

12 Investments

a. Composition of balances

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Equity interests in subsidiaries	1,439,682	111,757	-	-
Goodwill on acquisition of subsidiaries	-	-	14,771	14,771
Total	1,439,682	111,757	14,771	14,771

b. Balances roll forward

b.1 Roll forward of balances of subsidiary GVT Ltda.

	2009	**2008**
Opening balance	111,757	195,283
Capital increase	1,070,216	-
Adjustments relating to the first-time adoption of Law 11638/07	-	11,190
Equity in not income (loss) of subsidiary	249,075	(88,337)
Foreign currency translation of indirect subsidiary	8,634	(6,379)
Ending balance	1,439,682	111,757

Information on our subsidiary is shown below:

	GVT Ltda.	
	2009	**2008**
Capital stock	1,781,344	711,128
Number of quotas owned (in thousands)	1,780,669	710,453
Quotaholders' equity	1,440,228	111,847
Ownership percentage at the end of the year	100%	100%
Ownership of net quotaholders’ equity	1,439,682	111,757
Equity in not Income (loss) of subsidiary	249,075	(88,337)

b.2 Roll forward of balances of subsidiary Meridiana Cayman

	2008
Opening balance	73,626
Goodwill amortization	(5,378)
Equity in not income or subsidiary	3,293
Incorporation	(71,541)
Ending balance	-

In accordance with the Stock Purchase and Sale agreement, the Company paid a total of R$ 74,621 for the acquisition of 100% of the shares of Meridiana Cayman (a holding Company that controlled 100% of Geodex’s capital). The shareholders’ equity on the day of the transaction was R$ 10,064, generating a goodwill of R$ 64,557 on the acquisition date. In addition, the Company made a loan to the subsidiary Meridiana Cayman in the amount of R$ 37,535, which was used to settle financial obligations of the entities that were acquired, an amount already considered in the shareholders’ equity for the calculation of the goodwill.

(In thousands of Reais)

As described in the restructuring plan in Note 1, Meridiana Cayman was merged by GVT Ltda. in 2008, and its subsidiaries Meridiana Empreendimentos e Participações S.A. (direct) and Geodex Communications S.A. of Brazil (indirect) in 2009.

The acquisition agreement provides a deposit as guarantee, as described in Note 8.

c. Goodwill, net

	2009	**2008**
Goodwill on acquisition	64,557	64,557
Negative goodwill on prior acquisition	(43,330)	(43,330)
Accumulated goodwill amortization	(6,456)	(6,456)
	14,771	14,771

The balance of goodwill calculated on the acquisition of the investment is supported by a technical study prepared by the Company, based on the expectation of future profitability of the acquired operation. Goodwill amortization was recorded until the 2008 fiscal year in line with the future profitability projections over a period which will not exceed ten years. Starting in 2009, as a result of the adoption of Law 11,638, goodwill will is no longer amortized but tested for impairment annually. As required by Accounting Standard CPC 4 – Intangible Assets, approved by CVM Resolution 553/08, long term technical projection studies were prepared, when the initial registration of these assets was done, supporting future economic benefits from the Company’s assets.

The balance of goodwill presented in the consolidated financial statements is reduced by a negative goodwill in the amount of R$ 43,330, which was calculated upon the acquisition of Geodex Communications do Brasil S.A. by Meridiana Empreendimentos e Participações S.A. on August 7, 2007. The negative goodwill was attributed to other economic reasons that did not reduce the assets or future losses, and, therefore, will be amortized only when the investment is sold or by its exhaustion.

On November 4, 2008, GVT Ltda. acquired from its parent Company GVT (Holding) S.A. 100% of Meridiana Cayman (a holding Company that indirectly controlled 100% of the shares of Geodex), for the amount of R$ 71,541. The purchase price was determined by an appraisal report prepared by independent auditors, considering the balances existing on October 31, 2008 and using accounting valuation criteria.

As established in a purchase and sale agreement entered into between the companies, the total amount of the acquisition (R$ 71,541) will be paid off in November of 2013, with interest calculated at 100% of the CDI. The annual payment of interest is made at the discretion of the purchaser.

The acquisition was followed by the extinguishment of Meridiana Cayman with the assumption of its rights and obligations by GVT Ltda., which include the shares of Meridiana Empreendimentos, and the loan of R$ 37,346, which pays interest of CDI plus 3% p.a., and which will mature on October 13, 2011.

(In thousands of Reais)

13 Intangible assets (consolidated)

Acquisitions cost	**Useful life**	**2009** Opening balance	Additions	Disposals	Ending balance
Brands and patents	Indefinite	57	13	-	70
Right of use - ANATEL	10 years	325	9	-	334
Right of use - IP (internet protocol)	10 years	73,595	47,458	(972)	121,081
Right of use - software	5 years	272,256	28,402	-	300,658
Right of use - participation quotas	Indefinite	14	-	-	14
Right of use - PPDUR (radio frequency)	20 years	27,109	1,224	-	28,333
Right of use - backbone and fiber cables	10 years	10,000	-	-	10,000
		383,356	78,106	(972)	460,490

Accumulated amortization	**Useful life**	**Amortization method**	**2009** Opening balance	Additions	Ending balance
Right of use - ANATEL	10 years	Linear	(116)	(25)	(141)
Right of use - IP	10 years	Linear	(7,229)	(9,862)	(17,091)
Right of use - software	5 years	Linear	(213,716)	(24,871)	(238,587)
Right of use - PPDUR (radio frequency)	20 years	Linear	(2,629)	(1,389)	(4,018)
Right of use - backbone and fiber cables	10 years	Linear	(4,392)	(1,989)	(6,381)
			(228,082)	(38,136)	(266,218)
			155,274	38,998	194,272

(In thousands of Reais)

Acquisitions cost	Useful life	2008 Opening balance	Additions	Ending balance
Brands and patents	Indefinite	55	2	57
Right of use - ANATEL	10 years	304	21	325
Right of use - IP (internet protocol)	10 years	47.525	26.070	73.595
Right of use - software	5 years	232.042	40.214	272.256
Right of use - participation quotas	Indefinite	14	-	14
Right of use - PPDUR (radio frequency)	20 years	25.329	1.780	27.109
Right of use - backbone and fiber cables	10 years	10.000	-	10.000
		315.269	68.087	383.356

Accumulated amortization	Useful life	Amortization method	2008 Opening balance	Additions	Ending balance
Right of use - ANATEL	10 years	Linear	(97)	(19)	(116)
Right of use - IP	10 years	Linear	(1.684)	(5.545)	(7.229)
Right of use - software	5 years	Linear	(189.519)	(24.197)	(213.716)
Right of use - PPDUR (radio frequency)	20 years	Linear	(1.323)	(1.306)	(2.629)
Right of use - backbone and fiber cables	10 years	Linear	(2.392)	(2.000)	(4.392)
			(195.015)	(33.067)	(228.082)
			120.254	35.020	155.274

The evaluation of useful life of these assets as indefinite was performed taking into account the assumption that the Company will continue to operate as a going concern.

Certain software are in the development stage and, as their technical viability has been proven in accordance with the criteria of CVM Resolution 553, which approved CPC 04 - Intangible Assets, expenditures in the amount of R$ 14,401 (R$ 10,828 on December 31, 2008) were recognized as intangible assets in 2009.

(In thousands of Reais)

Impairment

During the year ended December 31, 2009, the Company did not identify the existence of indicators that show certain assets with defined useful life could be above its recoverable amount.

14 Loans and financing (consolidated)

Loans and financing accounted for as current and noncurrent liabilities at December 31, 2009 and 2008, with local and foreign creditors are as follows:

Transaction	Currency / contractual rates	Maturity	2009	2008
Loans and financing in local currency				
(FINEM) BNDES	TJLP + 4.5% p.a.	2013	82,377	102,847
(FINEM) BNDES	TJLP + 2.95% p.a.	2017	422,630	250,484
Direct credit – equipment acquisition	CDI + 3% to 4.7% p.a.; or 12% p.a.	2010	-	5,746
Finance leases (note 15)	14.70% to 27.67% p.a.; or CDI + 4.2% p.a.	2011	1,217	3,181
			506,224	362,258
Loans and financing in foreign currency				
Direct credit – equipment acquisition	Dollar + LIBOR + 3.5% p.a.	2009	-	409
Senior Notes	Dollar + 12% p.a.	2011	347,303	419,402
			347,303	419,811
Total loans and financing			853,527	782,069
Portion classified as current liabilities			(67,119)	(29,306)
Portion classified as noncurrent liabilities			786,408	752,763

Domestic debt: On December 31, 2009, local financing basically reflected the disbursements of Financing for Undertakings (FINEM - BNDES), updated by the Reference Unit of the Long-Term Interest Rate (URTJLP), and leases obtained at an average interest rate of 10.36% p.a. (approximately 121.1% of CDI) with maturities until 2017.

The Company's subsidiary, GVT Ltda., has two existing contracts with BNDES, as follows:

On December 14, 2005, GVT Ltda. executed its first contract with the National Bank for Economic and Social Development (BNDES), with the remaining amount of R$ 92,649 secured by bank guarantees issued by Itaú BBA in the amount of R$ 50,927 and by Votorantim in the amount of R$ 71,372.

On December 12, 2008, GVT Ltda. executed its second financing agreement with BNDES, obtaining funds to be invested in the modernization and expansion of its network and coverage. The total amount of the contract is R$ 615,909. The first and second tranches in the amounts of R$ 250,000 and R$ 158,520 were released on December 23, 2008 and June 15, 2009, respectively. As a guarantee for the loan, the GVT Ltda. assigned its receivables in entailment up to a limit of the higher of 20% of the debtors balance of the loan, or the last installment paid of Subcredit "A" monetarily restated by the Expanded Consumer Price Index (IPCA) plus five times the last installment of Subcredits "B" and "C" monetarily restated by long-term interest rate (TJLP). The monthly amount of the so-called Entailed Revenue will observe the maximum amount of R$120,000.

In this operation, the Company assumed, among other commitments, the obligation to maintain as from the first half of 2009 until the end of the contract in 2017 at least three of the following indexes calculated for each financial half-year, based on the consolidated balance sheets of the Company, and all indexes at the full year balance sheet date:

a) A capitalization index (Shareholders' equity / Total Assets): equal to or higher than 0.40;

b) Net financial debt / EBITDA*: equal to or lower than 2.50;

c) Short-term net financial debt / EBITDA*: equal to or lower than 0.45;

d) EBITDA* / Net financial expenses: equal to or higher than 4.00.

* Earnings Before Interest, Taxes, Depreciation and Amortization

On December 31, 2009, the subsidiary is in compliance with all financial ratios required by the contracts of local funding.

In addition to the above commitments, the finance contracts stipulate that in a situation of change of control of the Company, it must seek the consent of BNDES, under penalty of application of certain contractual restrictions of change in control, mainly the option by the BNDES of requiring the prepayment of the debt. Considering the change in control occurred on November 13, 2009, as mentioned in Note 1, the Company made a formal request for consent from BNDES on December 23, 2009, and received the approval of BNDES on February 9, 2010, by Board's decision No. 111/2010.

Foreign financing: On December 31, 2009, the balance in foreign currency is R$ 347,303 (US$ 199,461 thousand), with maturity on September 30, 2011. Interests are paid semiannually at 12% p.a.

The subsidiary GVT Ltda. will comply with certain financial ratios and obligations towards the lenders of Senior Notes, including:

- Maximum capital expenditures;
- Limitations on new fundraising operations and indebtedness and dividend distributions; and
- Limitations on investments, mergers, and sale of assets,

The subsidiary has given as guarantee to the holders of rights arising from such contracts substantially all assets in place and that still may be acquired, bank accounts, accounts receivable, equipment, inventory, property and intellectual property.

On December 31, 2009 the subsidiary is in compliance with all financial ratios required by the foreign finance contracts.

In addition to the above commitments, in case of change in control of the Company, the contract requires that it notifies the creditors of the Senior Notes and that it grants, during this period, the possibility of settlement of those Notes. The Company has notified the creditors on November 23, 2009 and required an answer about the early repurchase of the Notes until January 19, 2010. Until that date, only creditors of Notes corresponding to US$ 20,065 thousand (principal amount) have chosen to accept the early repurchase of the Notes, amount that was reclassified to current liabilities on December 31, 2009.

(In thousands of Reais)

On January 29, 2009 the Company announced that it chose to anticipate the redemption of all the Senior Notes issued (and outstanding) by its subsidiary GVT Finance LLC, as described in Note 27.

As of December 31, 2009 the long-term installments had the following payment schedule:

Maturity:

2011	380,848
2012	89,242
2013	89,242
2014	68,739
2015	68,739
2016	68,739
2017	20,859
Total	786,408

15 Leases

The Company had R$ 1,217 in assets with finance lease contracts included in the fixed assets of the Company and its subsidiaries. The contracts have an average term of 2 years, with clauses for options of renewal, purchase and adjustment for inflation.

During the period ended December 31, 2009, the Company recognized as expenses in the statement of income referring to financial leases the amounts of R$ 275 with respect to financial expenses and R$ 344 with respect to depreciation expenses. Present value of future payments is as follows:

Up to one year	1,117
From one to five years	100

The Company has, in addition, operating leases referring to poles, ducts, backbones, towers, cabinets, switches and administrative buildings, and the average term of these contracts is 8 years.

The future minimum payments for non-cancelable operating leases are as follows:

Up to one year	79,235
From one to five years	316,942

During 2009, the Company and its subsidiaries recognized R$ 78,187 as expenses with operating leases.

16 Contingencies (consolidated)

The Company and its subsidiaries are parties to judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, involving tax, labor, civil, and other issues.

Management, based on the information provided by its external legal counsel, analysis of pending legal procedures and, for labor and customer (civil) claims, based on its past experience regarding claimed amounts, recorded provisions for an amount considered sufficient to cover probable estimated losses for legal procedures in course, as follows:

(In thousands of Reais)

	2009			2008
	Provision	**Judicial deposits**	**Net**	**Net**
Civil claims				
PROCON	20	-	20	37
Small claims court	3,725	(1,453)	2,272	3,094
Regular court	5,819	-	5,819	4,489
	9,564	(1,453)	8,111	7,620
Labor				
Employees	1,029	(626)	403	702
Third parties	353	(1,692)	(1,339)	234
	1,382	(2,318)	(936)	936
Tax				
Federal	8,626	-	8,626	10,295
State	1,125	-	1,125	1,057
Municipal	391	-	391	358
	10,142	-	10,142	11,710
Other	2,226	-	2,226	2,108
	23,314	(3,771)	19,543	22,374
Portion classified as current liabilities			(3,269)	(2,709)
Portion classified as noncurrent liabilities			16,274	19,665

(In thousands of Reais)

Roll forward of balances in the fiscal year

	2009				
	Opening balance	**Additions**	**Usage**	**Reversals**	**Ending balance**
Civil claims					
PROCON	37	74	(58)	(33)	20
Small claims court	3,367	6,523	(3,175)	(2,990)	3,725
Regular court	4,489	4,394	(2,341)	(723)	5,819
	7,893	10,991	(5,574)	(3,746)	9,564
Labor					
Employees	987	1,075	(812)	(221)	1,029
Third parties	1,005	527	(440)	(739)	353
	1,992	1,602	(1,252)	(960)	1,382
Tax					
Federal	10,295	1,069	(1,641)	(1,097)	8,626
State	1,057	68	-	-	1,125
Municipal	358	33	-	-	391
	11,710	1,170	(1,641)	(1,097)	10,142
Other	2,108	118	-	-	2,226
	23,703	13,881	(8,467)	(5,803)	23,314
Court deposits	(1,329)	(6,167)	3,725	-	(3,771)
	22,374	7,714	(4,742)	(5,803)	19,543

On December 31, 2009 there are other proceedings assessed by the Company's legal counsel as being of a possible or remote risk of loss, in the total amount of R$ 606,370, for which no provision was recorded according to accounting practices adopted in Brazil.

Civil claims

The civil claims include several civil suits, that on December 31, 2009, included 3,094 suits brought against the Company by customers (including 20 claims in the Consumer Protection Agency - PROCON, 1,778 claims in the small claims courts and 1,296 claims in the regular courts).

Additionally, the Company received notifications from PROCON alleging noncompliance with the SAC (call center) regulations, which represented a total risk of approximately R$ 1,940 on December 31, 2009.

Other than the claims related to consumer complaints, the majority of the civil claims are related to disputes between the Company and former employees and service providers with respect to the interpretation of contractual clauses or complains of the Company regarding the quality of the services executed or provided. There is no provision for any of the questions against former employees, since the Company understands that, in accordance with the assessment of the Management and of its external lawyers, the chance of success in the claims is greater than the chance of failure (possible loss).

There are also class actions, generally brought by the Government Attorney’s Office or by NGOs, and the goal is to defend group interests (such as consumer or labor rights). The decisions presented by the courts in these cases may grant rights to groups of people (even without their consent). In many situations, the definition of the group that will benefit from an eventual favorable decision is only made after the final decision. Therefore, the amounts for these claims cannot be reasonably estimated. On December 31, 2009 there were 63 class action suits against the Company (10 related to taxes, 48 related to regulatory issues and consumer rights and 5 related to labor issues) and the Company has not recorded any provision for these contingencies.

On December 31, 2009, the total updated value of the civil lawsuits brought against the Company was R$ 81,850, for which a total of R$ 9,564 was recorded as a provision of possible losses.

Labor claims

They include several labor suits that, on December 31, 2009, included 899 labor claims against the Company of which 192 had been brought by ex-employees. Of the remaining labor claims, a total of 707 were brought by employees of contracted third parties, some of whom were claiming recognition of an employment relationship. None of the labor claims brought against the Company, individually, represents a material contingency for the Company.

On December 31, 2009, the total updated value of the labor claims brought against the Company was R$ 15,200, for which a total of R$ 1,382 was recorded as a provision of possible losses.

Tax proceedings

Tax proceedings include a number of tax bills and on December 31, 2009, they represented a restated amount of R$ 465,130, for which a total of R$ 10,142 was recorded as a provision, which is considered sufficient to cover probable losses from these lawsuits.

The most significant outstanding tax proceedings are described individually below:

- *ICMS/Agreement 69, CONFAZ* (National Council of Fiscal Policy - Association of Brazilian State tax authorities) issued Agreement 69, which regulates the collection of ICMS on many services that are not telecommunications services, including the monthly telephone subscription. In light of this agreement, the Company received tax assessments related to items of Agreement 69 in almost all the states where it provides services. Defenses or appeals were filed against these tax assessments. The administrative proceedings are, in general, awaiting a final decision by the administrative authorities and may still be submitted to the appreciation of the courts, and the amount already in litigation is approximately R$ 137,729 (an amount which includes principal, fines and interest through December 31, 2009). Provisions were not recorded for these litigations, as, based on the opinion of the Management of its external legal counsel, the Company understands that the chance of success of these litigations is greater than the chance of loss (possible loss). There are also ongoing proceedings in this respect with the courts in a number of states. In the event the decisions regarding these proceedings are unfavorable to the Company and it has to pay ICMS on the products as per Agreement 69, in addition to bearing the onus of the respective payments for the previous tax assessments, future margins can be decreased.

- *ICMS/other proceedings.* The Company is challenging other tax assessments referring to ICMS credits (in addition to Agreement 69) in the amount of R$ 96,785 (principal, fines and interest though December 31, 2009). A provision in the amount of R$ 1,125 was recorded to cover proceedings where the chess of success is less than the chance of loss (probable loss) according to the Management and the Company's external counsel. According to the Management and the external legal counsel, the chance of success for the remaining proceedings is greater than the chance of loss (possible loss), therefore, a provision has not been recorded.

- *ICMS/Internet Services*. The Company maintains that value-added services, such as internet services, are exempt from ICMS, while the tax authorities maintain that ICMS should be levied on value-added services, since they are telecommunication services. Those proceedings involve an aggregate amount of about R$ 107,120. According to the Management and the external legal counsel, the chance of success for the remaining proceedings is greater than the chance of loss therefore, a provision has not been recorded (possible loss).

- *Ex-tariff proceedings (Tax assessments and court suit)*. In April 2001, the Company took advantage of the benefit of CAMEX Resolution 6 (ex-tariff), which was revoked a month later by the Federal Government through CAMEX Resolution 13, increasing the import tax from 4% to 28%. Through an injunction, the Company assured clearing through customs with payment at the rate of 4%. The injunction was revoked and the Company appealed this decision. The restated amount at risk on December 31, 2009 is approximately R$ 10,571. According to the Management and the external legal counsel, the chance of success for the majority of these lawsuits is greater than the chance of loss (possible loss), therefore, a provision has not been recorded.

- *IPI – FAU.* A tax assessment was filed against the Company in the state of Rio Grande do Sul for supposed differences in collection of excise tax (IPI). The Federal Revenue Department understood that the Company did not pay IPI at the time of “exit” from its establishment of the equipment known as “FAU”, which is installed in the residence or establishment of customers as a receiver for signals of non-cable telephone lines and which is not sold or leased to the customer, but constitutes one of the elements of the Company’s network, and which continues to be its property. The tax authorities understand that at the time of “exit” of the asset there is a hypothetical profit margin of 20% (by analogy with paid satellite TV), and that the FAUs have “entries” and “exits” from the Company’s establishment with different rates. The Company appealed and the proceedings are with the Taxpayers’ Council, the restated amount as of December 31, 2009, including fines and interest, is approximately R$ 8,642. According to the Management and the external legal counsel, the chance of success for the majority of these lawsuits is greater than the chance of loss (possible loss).

Other/Regulatory lawsuits

At December 31, 2009, the Company and its subsidiaries were party to 19 legal proceedings, 52 ongoing administrative proceedings and 89 PADOs (Procedures for verification of failures to comply with obligations) in progress with ANATEL, in the total restated amount of R$ 67,504, for which R$ 2,225 was recorded as a provision, which is considered sufficient to cover probable losses from these lawsuits.

The most significant outstanding proceedings are described individually below:

- *Requests for VU-M discount.* A dispute between the Company and operators of Personal Mobile Services (SMP) with respect to the discount level of VU-M (Network interconnection remuneration value) during off-peak hours. The operators of the mobile telephone network argue that this discount should only be granted to local concessionaires and the Company argues that the VU-M discount should also be applied to authorized operators through the principle of isonomy. ANATEL decided that the Company had a right to the discount as of January of 2005 and, therefore, that the Company would have to pay the concessionaires of mobile telephone services the amount corresponding to the discount until that date (since February of 2003). On December 31, 2009 the amount under discussion was approximately R$ 14,410. The Company believes that it should not pass these discounts on to the mobile operators and, therefore, the Company brought an action against ANATEL and mobile telephone operators, which is in progress in the federal courts. There are also civil lawsuits for collection of these discounts brought by the mobile telephone operators. According to the Management and the external legal counsel, the chance of success for the majority of these lawsuits is greater than the chance of loss (possible loss).

- *Licenses for Antennas/Towers.* A number of city administrations have enacted legislation on the installation of antennas and towers for transmission of telecommunication signals, and these new rules often oblige the companies that hold or use the antennas to relocate them at their own expense, The Company understands that these rules are outside municipal competence and are governed by federal regulations, or contain constitutional and legal breaches. Accordingly, the Company has brought litigation against some municipalities and the government of the Federal District. According to the Management and the Company’s external legal counsel, the chance of success for the majority of these lawsuits is greater than the chance of loss (possible loss).

(In thousands of Reais)

17 Deferred value added tax (consolidated)

Deferred value added tax classified as current and noncurrent liabilities are:

	2009	**2008**
Current liabilities		
ICMS – Paraná State	45,559	44,494
Noncurrent liabilities		
ICMS – Paraná State	147,890	145,154
ICMS – Federal District	8,221	4,785
ICMS – Other	-	875
	156,111	150,814

The subsidiary GVT Ltda. has the following special tax benefits with some of the states within the concession area:

- **Paraná State -** The Company can defer 80% of its ICMS payments on operations for four years: 20% related to acquisition of equipments and other fixed assets to the plant are being paid monthly and 80% are being deferred by four years between June of 2001 and June of 2005, From July of 2005 until June of 2009 the deferral portion changed from 80% to 70%.

- **Federal District -** Grace period of 15 years for payment of 70% of ICMS due on imports of equipments and other fixed assets for the plant, considering 30% on the acquisition and 70% financed between September of 2000 and August of 2015.

Balances were restated at present value and the “FCA” index is being used as an index to calculate future value which is then brought to present value using the SELIC rate, which is the rate that best reflects the nature of the liabilities to which the Company and its subsidiaries are exposed to.

(In thousands of Reais)

18 Other payables (noncurrent liabilities) (consolidated)

The long term balances of other accounts payable on December 31 consist of the following:

	2009	**2008**
Optical fiber swap payable	21,195	23,358
PPDUR provision	28,333	27,109
Withholding taxes on accrued interest on external financing	3,164	4,247
Others	555	330
	53,247	55,044

Optical Fiber Swap Payable: Refers to 1,672 km of 24 pair optical fiber cables connecting the cities of (i) Uruguaiana and Porto Alegre and (ii) Porto Alegre and Curitiba received in accordance to the agreement dated May 4, 2001 between Geodex and Impsat Comunicações Ltda. The original amount of this agreement was R$ 44,121 which was recorded as property and equipment. The realization of this obligation will occur based on the services to be provided during a 17-year term, which started in 2002. Interest is not charged to the remaining balance as per the agreement. The outstanding balance on December 31, 2009 was R$ 24,007, out of which R$ 21,195 was classified under noncurrent liabilities.

PPDUR: The Company has been challenging in court the charge for the Right of Use of Radio Frequencies (PPDUR) charged by ANATEL, which was classified in property and equipment and noncurrent liabilities.

The telecommunications laws and regulations established that the price paid for a Mirror License includes the right to use the frequencies needed to meet with the expansion goals during 20 years with no additional cost. However, ANATEL includes in the bidding process for Mirror-Companies of Region II, a provision establishing that, if the price paid by the winner is less than the price for use of the frequencies, the difference must be paid by the winner. ANATEL charged this difference from the Company in 2003 but the Company obtained an injunction from the Federal Court of Brasilia suspending this collection. Some of the Company's assets were pledged in this suit, which is awaiting a hearing in the Regional Federal Court of the First Region.

19 Deferred income (consolidated)

In April 2001, the Company's subsidiary signed an agreement with American Tower Company - ATC for the lease of 156 of its transmission sites that are used in the WLL infrastructure. The term of the agreement is 15 years, with a purchase option at the end of the period and with the possibility of automatic renewal for an additional term of 7 years.

The amount was fully received in 2001 and recorded in the balance sheet as deferred income, and it is being amortized over the term of the contract. The outstanding amount at December 31, 2009 is R$ 13,003.

In July of 2008, an amount related to optical fiber rents what recorded as deferred income. The contract term is 15 years and will be annually invoiced for the amount of R$ 1,579, totaling R$ 23,685. The unamortized value as of December 31, 2009 is R$ 795.

In December of 2009, GVT Ltda. signed a contract with Telefonica International Wholesale concerning the irrevocable right of use (IRU) of optical fiber in the amount of R$ 30,000. The contract will be in force from January of 2010 to December of 2025. The unamortized amount as of December 31, 2009 is R$ 21,450.

The subsidiary Innoweb Ltda. recorded deferred income for Voice Over Internet Protocol (VoIP) services in the amount of R$ 1,446 as of December 31, 2009.

(In thousands of Reais)

20 Shareholders' equity (parent Company)

a. Capital Stock

On December 31, 2009, the Company's subscribed and paid-up capital was R$ 1,510,239 (R$ 1,374,699 in 2008), divided into 137,244,566 (128,280,098 in 2008) common, nominative, book entry shares with no par value, and distributed among the following shareholders:

	2009	**2008**
Vivendi S.A.	113,160,424	-
Global Village Telecom Holland B.V.	-	24,181,613
Swarth Investments	4,872,033	15,736,053
Minority stockholders	19,212,103	88,362,425
Management members	6	7
	137,244,566	128,280,098

Due to the authorized capital increase, the Company deny the shareholders' preemptive rights or reduce the period for their exercise in the following situations: in the case of issue of shares and convertible debentures or subscription bonuses, the placement of which is made through sale on the stock exchange or by public subscription, or through a stock swap in a takeover bid, in the conditions established by law, within the authorized capital limit.

Moreover, as provided for in the Company's Bylaws, the shareholder's preemption rights may be denied if the Company grants stock options to its executives and employees and other specially appointed participants, provided that such a grant (i) is in compliance with the Bylaws, (ii) falls within the authorized capital limit and (iii) is according to the Stock Option Plan, as approved in the General Meeting.

b. Capital reserve

The Company had recorded as a reserve for premium on subscription of shares a total amount of R$ 930,993. This amount is the result from the issuance of 59,800,000 new shares at the price of (R$ 18.00), compared to the equity value of the share (R$ 2.43) as per the sole paragraph of Article 14 of Law 6,404/1976.

Stock options granted as described in Note 22 are also recorded as capital reserves.

c. Dividends

According to its Bylaws and the Brazilian Corporation Law, the Company must distribute minimum mandatory dividends in each fiscal year ending December 31, provided that funds are available for this distribution. According to the Company's dividend policy, in light of the said Law, it intends to declare and pay each year dividends and/or interest on shareholders' equity in amounts equivalent to a minimum of 25% of its net income, as adjusted, pursuant to the Brazilian Corporations Law and its bylaws. The Company may also pay interest on shareholders' equity, which will be deducted from the minimum mandatory dividend of 25%, in accordance with the terms of the legislation.

The yearly distribution of dividends, including dividends in excess of the minimum mandatory dividend, requires approval by a majority vote of attendees of the Annual General Meeting and will depend on many factors. These factors include the operating results, financial conditions, cash needs, restrictions under the terms and conditions of the Debt Exchange Agreement, future prospects and other factors deemed relevant by the board of directors and shareholders. In accordance with applicable law, the Company may, in the future, determine that it is to its benefit to distribute interest on shareholders' equity, which may be considered as part of its mandatory dividends.

(In thousands of Reais)

The Company has accumulated losses, therefore, the Company does do not anticipate being able to pay dividends to shareholders in the short term, including payments of the minimum mandatory dividends.

In addition to the accumulated debt, the Company is also unable to pay dividends or interest on shareholders' equity above the minimum requirement as long as certain financial conditions are not met, pursuant to the terms of the instruments executed in function of the Debt Exchange Agreement.

The Company has not paid dividends since the beginning of its operations due to accumulated losses in the period.

21 Financial income (expenses)

	Parent Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Financial income				
Interest	65,797	34,302	6,741	13
Interest on short term investments	2,340	4,027	55,805	48,785
Fines	-	-	12,423	5,129
Other	386	1,126	1,268	-
	68,523	39,455	76,237	53,927
Financial expenses				
Interest	-	(192)	(83,677)	(53,989)
Income tax on remittances	-	-	(7,318)	(6,287)
CPMF	-	-	-	(126)
Bank charges	(319)	(82)	(4,462)	(3,842)
Monetary restatement	-	-	(34,779)	(23,016)
Other	-	(2)	(536)	(4,569)
	(319)	(276)	(130,772)	(91,829)
	68,204	39,179	(54,535)	(37,902)

22 Stock option plan

Since 2000 stock options have been granted to a number of beneficiaries. These options could be converted into shares of GVT (Holding) NV or GVT Ltda. in the event of an IPO of any of these entities. The choice of a Company IPO would be at te Management's discretion. The exercise of the options that were granted was conditioned, cumulatively, on a vesting period (generally of 4 years) as well as the conclusion of the Company's IPO.

As the group's IPO was structured through GVT (Holding) S.A. was held, all the obligations assumed with beneficiaries of options were transferred to this Company. The Annual and Extraordinary General Meeting, held on January 25, 2007, approved the plan for granting call options to selected members of the board, officers and employees of the Company, as well as other members designated by the Board of Directors. This approved plan included not only the beneficiaries of old plans but also new beneficiaries.

The General Shareholders' Meeting held on January 25, 2007 approved a plan of 6,832,034 options, which included 4,746,672 options that were previously granted from 2000 to 2006 as described above. On the IPO date, 3,579,619 options were fully vested.

For the options granted in periods prior to the effectiveness of International Financial Reporting Standards - IFRS 2, on which Standard CPC 10 – Stock-Based Compensation, approved by CVM Resolution 562/08, is based, the value of the options was calculated as the intrinsic value of the options on the date of the IPO. The remaining options granted at the time of the IPO are valued using the Black and Scholes method. The intrinsic value on the date of the IPO calculated for the options granted prior to 2007 approximates the fair value that would be obtained if the Black and Scholes method had been used in the valuation of these options.

The options granted could only be exercised: (i) 180 days after the announcement of the start of the IPO (lock-up period); and (ii) in installments, where generally 25% of the options become available at each anniversary of their granting. The vesting period will be anticipated on the occurrence of certain extraordinary events (bid for takeover, liquidation, merger etc.) or by resolution of the Board of Directors. The exercise price was determined at the time of granting and ranged from R$ 5.25 to R$ 18.00. Grants were made from 2000 until 2009.

On February 22, 2008, the General and Extraordinary Shareholders' Meeting authorized an increase of 4,000,000 in the number of the Company's stock options. Consequently, the plan provided at that moment for the existence of 10,832,034 options to purchase shares of the Company.

For this additional lot of 4,000,000 shares the exercise price is stipulated by the Board of Directors at the time of each grant, but it may not be less than 85% of the average trading price in the 30-day period immediately prior to the aforementioned allocation.

For this additional lot the exercise price of any option granted will be monetarily restated in accordance with the IPCA (Extended Consumer Price Index) published by the Brazilian Institute of Geography and Statistics (IBGE), once a year on the grant anniversary date.

The vesting period for the options in this additional lot lasts from three to four years. The Board of Directors authorized the acceleration of the vesting period to 2 years for certain options if specific financial and strategic objectives of the Company are reached.

On April 24, 2009, the Company agreed with the beneficiaries of its stock option plan that the exercising period for the vested options, approved at the General shareholder's meeting held on January 25, 2007 ("Original Plan"), was increased from 2 to 4 years. After approved, the exercising period for the options included in the original plan changed to 4 years. Consequently, a new fair value calculation took place and the difference between the original value and the new fair value amounted to R$ 5,511, which is going to be recognized in the Company's statement of income for the remaining vesting period.

As mentioned on Note 1, on November 13, 2009, it was announced the acquisition of ownership interest of the Company by Vivendi. Company As outlined in the Plan, this event triggered the of the vesting options already granted, which were immediately vested at that date. On that occasion, the amount of R$ 16,407 was recognized in expenses as a result of this acceleration.

Until December 31, 2009, 10,467,967 options were exercised and converted into shares, and 2,926 options remain to be exercised. In total, 928 beneficiaries received options from GVT (Holding) S.A., 870 of which received options before the IPO.

(In thousands of Reais)

Out of the 10,832,034 options approved, and the 10,801,059 distributed, 330,166 options were recovered by the Company as a result or employees dismissal.

As determined by the CPC Technical Standard 10, the Company recognized the effect of R$ 50,415 in the income for the period ended December 31, 2009 as the services were provided in the payment transaction based on shares and as a result of the acceleration process of the vesting period described previously.

Considering all vested options not yet exercised on December 31, 2009, the fair value of the respective options, calculated by the Black & Scholes and intrinsic value (options assumed) method on the date of grant would be R$81.

Considering the hypothesis that all the options available were exercised on December 31, 2009, the dilution of the capital of the current shareholders would be 0.002%.

23 Financial instruments

The table below presents all the contracted financial instrument operations, as well as their respective fair values calculated by the Company's Management.

		Parent Company					
		2009			2008		
	Note	Others	Loans and receivables	Total	Others	Loans and receivables	Total
Cash and cash equivalents	5	86	-	86	267	-	267
Marketable securities	5	140,145	-	140,145	10,486	-	10,486

(In thousands of Reais)

		Consolidated					
		2009			2008		
	Note	Others	Loans and receivables	Total	Others	Loans and receivables	Total
Cash and cash equivalents	5	10,529	-	10,529	16,008	-	16,008
Marketable securities	5	689,817	-	689,817	481,462	-	481,462
Accounts receivable and other receivables	6	-	439,674	439,674	-	390,103	390,103
Loans and financing in local currency	14	-	506,224	506,224	-	362,258	362,258
Loans and financing in foreign currency	14	-	347,303	347,303	-	419,811	419,811

Sensitivity analysis of changes in foreign currency

The Company and its subsidiaries have loans and financing in foreign currency.

		Consolidated		
Operation	**Risk**	**Most likely scenario**	**Scenario II**	**Scenario III**
Debt in US$ face value US$ 199,461	Increase in US$	347,303	434,127	520,592

Scenario	Exchange rate US$	Description
Probable scenario	1.74	Probable US dollar rate
Scenario II	2.18	25% deterioration
Scenario III	2.61	50% deterioration

(In thousands of Reais)

The table above presents three scenarios and the most likely scenario has been adopted by the Company and its subsidiaries during its process of cash flow management. This scenario was defined based on Management's expectations of changes in the exchange rate on the maturity dates of the respective contracts subject to these risks.

In addition to this scenario, CVM, through Instruction 475, established that two more scenarios be presented with a deterioration of 25% and 50% of the variable at risk. These scenarios are being presented in accordance with the CVM regulation.

In compliance with CVM Instruction 235/95, the carrying amount and the market values of the financial instruments included in the consolidated balance sheets as of December 31, 2009 are identified as follows:

Description	**Carrying amount**	**Market value**
Cash and cash equivalents	700,346	702,054
Accounts receivable	439,674	439,674
Suppliers	241,592	241,592
Interconnection payable ("DETRAF")	100,038	100,038
Loans and financing:		
In local currency	506,224	506,224
In foreign currency	347,303	382,268

The Company and its subsidiaries maintain operations with financial instruments. The management of these instruments is done through operational strategies and internal controls to assure liquidity, profitability and security. The Company and its subsidiaries do not invest in speculative applications, derivatives or other risky assets. The results of these operations are consistent with the policies and strategies defined by the Management.

The criteria, assumptions and limitations used in the calculation of market value were:

- Cash and cash equivalents

  Current accounts and short-term investments held at banks have market values similar to the book values.

- Accounts receivable and suppliers

  Accounts receivable have market values similar to the book values due to their short term nature.

- Loans and financing

  The market values of loans and financing were calculated based on their present value calculated through the future cash flows and using interest rates applicable to instruments of a similar nature, terms and risks, or based on the market quotes of these securities.

  The Company and its subsidiaries do not use financial derivatives instruments.

24 Insurance coverage (consolidated)

The Company and its subsidiaries have a policy of contracting insurance coverage for assets subject to risk in amounts considered sufficient to cover any claims, considering the nature of its activities. The risk assumptions adopted, given their nature, are not part of the scope of an audit of the Financial Statements and, accordingly, were not reviewed by our independent auditors.

As of October 10, 2009, renewal date of the Company's Insurance Program, the maximum indemnity of the operating risk policy for a single event is R$ 252,358. The policy liability has a limit of indemnity of R$ 9,000 per event (according to contracted coverage), with an additional 10% by way of damages. The auto insurance was renewed on November 30, 2009 and provides coverage of R$ 550 for property damage and / or injury to third parties with the secondary risk coverage of R$ 450 in the policy of General Civil Liability. It was contracted on November 13, 2009 with a limit of R$ 42,000 for managers civil liability risks.

(In thousands of Reais)

25 Assets pledged and guarantees provided to third parties (consolidated)

On December 31, 2009, the Company and its subsidiaries had the following assets pledged to third parties and provided the following guarantees:

Maturity	**Third party**	**Conditions**	**2009**	**2008**
Indefinite	Labor	Assets pledged in labor claims	86	582
Indefinite	Government	ICMS Rio Grande do Sul, Goiás and Santa Catarina, and ISS Canoas	101,503	114,787
Indefinite	Consumer	Assets pledged in civil claims	161	34
Sundry	Banks	Surety letters	189,110	135,795

26 Change of control

Due to the change of control occurred on November 13, 2009, as described in Note 1, the Company incurred extraordinary costs in the total amount of R$ 72,669 referring to: (a) acceleration of vesting period of options granted as part of stock options plan, in the amount of R$ 16,407, registered as selling, general and administrative expenses; (b) financial and legal advice during the process of change of control, in the amount of R$ 21,306, of which R$ 20,306 were registered as selling, general and administrative expenses and R$ 1,000 as other operating expenses; and (c) anticipation of the maturity of certain contractual obligations, in the amount of R$ 34,956, registered as other operating expenses.

27 Subsequent events

a) Ownership

On January 6, 2010, it was released a Material Fact about the increase of Vivendi's ownership interest in GVT (Holding) S.A. to 85.7% (the equivalent of 117.7 million shares).

On January 8, 2010, a Material Fact was published confirming that Vivendi will make a mandatory public tender offer for: (a) cancelling the registration of GVT (Holding) S.A. as a publicly-held Company and delisting from the Novo Mercado of BM&FBovespa; and (b) complying with applicable rules, extend the offer to minority shareholders at the price paid to former controlling shareholders. This offer still awaits a prior review and approval by CVM.

The extraordinary general meeting to decide on the cancellation of Company's registration and delisting from the Novo Mercado is scheduled for March 8, 2010.

b) Senior Notes

On January 29, 2010, GVT (Holding) S.A. announced to the owner of the Notes the option to repurchase all outstanding Senior Secured Notes issued by its subsidiary GVT Finance LLC ("Notes").

The principal of the outstanding Notes is US$ 179.4 million. The Notes will be repurchased (i) on February 26, 2010, (ii) for approximately 102.5% of the principal plus the interest due from December of 2009 until the repurchase date; and (iii) drawing on the Company's own funds, with no need to tap additional credit lines. After the repurchase described, there will be no more outstanding Notes.

c) New pronouncements, interpretations and guidances issued and not adopted

As part of the process of migrating the accounting practices adopted in Brazil to the International Financial Reporting Standards (IFRS), several pronouncements, interpretations and guidances were issued during 2009, with mandatory application for the fiscal year ending December 2010, and for the 2009 financial statements disclosed for comparison purposes with the 2010 financial statements.

The Company is in the process of assessing the potential effects related to these pronouncements, interpretations and guidances that could have a significant impact on the financial statements relative to the fiscal year ended December 31, 2009 to be presented for comparison purposes together with the financial statements for the fiscal year ending December 31, 2010 as well as for the next fiscal years.

The consolidated financial statements of the next fiscal year will be prepared according to statement CPC 37 – Initial Adoption of the International Accounting Standards, in accordance with CVM Instruction 457 of July 13, 2007.

* * *

2009 MANAGEMENT REPORT

We present here the Management Report and the Individual (Parent Company) and Consolidated Financial Statements for the fiscal year ended December 31, 2009.

1. DESCRIPTION OF THE BUSINESS

GVT is a telecommunication services provider in Brazil that offers a diversified portfolio of innovative products and advanced solutions in conventional and VoIP telephony, corporate data, broadband, internet and pay TV services (through a partnership) to all market segments (retail/SME and corporate). On December 31, 2009, the Company had a total of 2,816,578 lines in service (LIS) in the various cities where it operates, and registered growth in the year of 28.7% in net revenue and 30.4% in adjusted EBITDA, with adjusted EBITDA margin of 38.6%.

The Company focuses its operations on high-margin and high-use customers of telecommunication services in the residential, small and medium enterprise (SME) and medium/large corporate segments, given the fact that the growing demand for integrated and customized solutions is not adequately met by the industry's incumbent players. Therefore, GVT's objective is to meet this demand by providing higher quality services, especially in the so-called Next Generation Services (NGS), which are services based on high-capacity transmission, such as broadband connections and internet services, high-speed managed and data-transmission services for companies, VoIP and, in the future, video and TV over IP networks (IPTV).

2. GENERAL ECONOMIC SCENARIO AND TELEPHONY MARKET

According to the consulting firm Teleco, the Brazilian telecommunications market is Latin America's largest, accounting for approximately 52% of installed fixed telephone lines, based on September 2009 data. After the telecommunications market was fully opened to competition in 2002, the Incumbents and Mirror Companies were allowed to operate outside their original areas, and new participants were offered operating licenses in all markets.

According to Teleco, in September 2009, there were 43.6 million fixed telephone lines installed in Brazil. Although a substantial increase is not expected in the number of fixed lines from current levels (according to Teleco, approximately 22.8 lines per 100 inhabitants in September 2009), Pyramid Research forecasts a compound annual growth rate (CAGR) of 2.6% for total revenue in the fixed-line segment, from R$ 50.0 billion in 2009 to R$ 56.9 billion in 2014. This revenue growth is expected to be driven by broadband and IPTV (TV over IP networks) services, which, also according to Pyramid Research, are expected to grow at CAGRs of 15.2% and 119.4%, respectively, in the same period.

Broadband internet connections have registered strong growth in Brazil. In 2009, 16.1% of internet users used dial-up access, while 83.9% had a dedicated connection (DSL, cable, satellite and radio). Pyramid Research projects that 98.5% of internet users will have broadband access by 2014.

3. PRODUCTS AND SERVICES

To better meet the market's sophisticated needs, GVT is organized into two business segments that are virtually independent from each other: retail/small and medium enterprises (SME) and corporate.

Fiscal years ended December 31, 2008 and 2009:

Net Revenue Breakdown (R$ '000)	2009	2008	2009 vs. 2008 (%)
LIS Based Services	**1,559,728**	**1,200,726**	**29.9%**
Local Telephony	805,844	649,956	24.0%
Long Distance	214,166	179,098	19.6%
Corporate and Carrier Data	156,269	118,778	31.6%
Broadband	344,742	219,947	56.7%
VoIP	38,707	32,947	17.5%
Non-LIS Based Services	**139,378**	**119,458**	**16.7%**
Network Services	86,303	58,158	48.4%
Dial-up Services	47,047	55,656	-15.5%
Long Distance of non-GVT's customers	6,028	5,644	6.8%
Total Net Revenue	**1,699,106**	**1,320,184**	**28.7%**

- **Retail/SME Business Segment:** encompasses the residential and small and medium enterprise markets, which offer high margins and high usage levels. Target client segments: (i) households, with a focus on the "A", "B" and "C" income groups; and (ii) small office/home office – SoHo (self-employed professionals) and small and medium enterprises. In each target segment, GVT offers a diversified product portfolio that includes bundled services, which are composed of local, domestic long-distance and international long-distance telephony, internet and broadband services and value-added services.

  In 2008, the Retail Business Segment consolidated the POP and VONO sub-segments. POP, a leader in the Internet Service Provider (ISP) market, offers high quality dial-up access and broadband services, which include e-mail, website hosting and web content. And VONO, a leader in VoIP telephony in the retail/SME segment, offers low-cost voice services similar to conventional telephony and innovative facilities such as originating or receiving calls from any location using a virtual number accessed through a broadband connection, with the price of a local call.

This combination of products provides synergy, innovation and convergence in internet and VoIP solutions. Meanwhile, this integration enables clients to receive from a single supplier all of their internet services, including internet access, web services, web content and VoIP telephony.

- **Corporate Business Segment:** This segment offers high-quality integrated solutions and managed services, including conventional telephony, internet services, network use services, site hosting and VoIP services. GVT offers unique solutions through a modern Next Generation Network (NGN) based on VoIP technology and products with a high value proposal that provide more functions at costs (including the initial investment) substantially lower than those of competitors. The new products and services based on Internet Protocol (IP) technology increase GVT's potential market share and market positioning. GVT is one of the first telephony service providers to offer VoIP-based services to Brazil's corporate market, positioning itself as the leader in terms of expertise and experience in implementing this type of technology (as published by *InfoExame* magazine).

4. COMMENTS ON PERFORMANCE

Net Revenue increased 28.7% from 2008 to R$1,699.1 million in 2009. Revenue from the Core Business (LIS-based revenue, i.e., generated by GVT's own lines in service and customers) increased 29.9% from 2008 to R$1,599.7 million in 2009.

Net Revenue from Next Generation Services (NGS) grew by 45.2% from 2008 to R$539.7 million, representing 31.7% of total Net Revenue in 2009. Broadband Services Revenue increased 56.7% from 2008 to account for 20.3% of total net revenue.

Adjusted EBITDA reached R$655.6 million in 2009, increasing 30.4% from the previous year. Adjusted EBITDA margin was 38.6%, compared with 38.1% in 2008, representing an increase of 0.5 percentage point (p.p.).

Net Income was R$131.6 million in 2009, compared with R$30.6 million in 2008. Net Additions of Lines in Service totaled 916,000 in 2009, expanding 36.6% from the previous year.

Capital Expenditure (CapEx) reached R$657.6 million in 2009, down 8.8% from 2008. To support the Company's growth objectives, 269,185 new accesses were made available in 2009.

In December 2008, GVT obtained approval for a R$615.9 million loan facility from the Brazilian Development Bank (BNDES). The first tranche of R$250 million was disbursed at the end of 2008, and the second tranche of R$158.5 million was disbursed in June 2009. The remainder is scheduled to be disbursed in tranches through 2011.

5. CAPITAL EXPENDITURE

Capex and Free Cash Flow (Adjusted EBITDA - CapEx) (R$ '000)	2009	2008	2009 vs. 2008 (%)
Core Network	82,958	117,338	-29.3%
Accesses	417,526	481,173	-13.2%
IT / Others	100,074	96,265	4.0%
Subtotal CapEx	**600,558**	**694,776**	**-13.6%**
Acquisitions (IRU of IP Backbone and Metropolitan Ring / Geodex)	57,021	26,030	119.1%
Total CapEx	**657,579**	**720,806**	**-8.8%**
Free Cash Flow (Adjusted EBITDA - CapEx)	**(2,016)**	**(218,120)**	**-99.1%**

In 2009, Capital Expenditures (CapEx) reached R$657.6 million, compared with R$720.8 million in 2008.

6. NET CASH

Net (debt) Cash (R$ '000)	2009	2008	2009 vs. 2008 (%)
Short-Term Debt	(67,119)	(29,306)	129.0%
Long-Term Debt	(786,408)	(752,763)	n.a
Gross Debt	**(853,527)**	**(782,069)**	**9.1%**
Cash and Cash equivalents	700,346	497,470	40.8%
(Net Debt)	**(153,181)**	**(284,599)**	**-46.2%**
% of Short-Term Debt / Total Debt	7.9%	3.7%	4.1 p.p
Foreign Currency Debt / Total Debt	40.7%	53.7%	-13.0 p.p
Net (debt) Cash / Adjusted EBITDA (LTM)	**0.2x**	**0.6x**	**0.3x**

- **Gross Debt**

On December 31, 2009, GVT's consolidated gross debt stood at R$853.5 million, compared with R$782.1 million at year-end 2008.

Gross Debt (R$ '000)	2009	2008	2009 vs. 2008 (%)
Senior Notes	347,303	419,402	-17.2%
Bank Loans (BNDES)	505,007	353,331	42.9%
Others	1,217	9,336	-87.0%
Gross Debt	**853,527**	**782,069**	**9.1%**

In December 2008, GVT obtained approval for a R$615.9 million loan facility from the Brazilian Development Bank (BNDES). The first tranche of R$250 million was disbursed at the end of 2008, and the second tranche of R$158.5 million was disbursed in June 2009. The remainder is scheduled to be disbursed in tranches through 2011, in accordance with the Company's investment schedule. The total term of the facility is 8.5 years, with a grace period for amortization of principal (interest payments only) of 2.5 years and 6 years of principal amortization and interest payments. The final payment of the BNDES facility is scheduled for June 2017. The facility involves two indexes, the Long-Term Interest Rate (TJLP) and the IPCA consumer price index, as well as a risk spread. The facility's average interest is equivalent to approximately 121.1% of the CDI (interbank overnight rate), or 10.36% per year based on the CDI rate on the facility approval date. The loan facility is secured solely by GVT's own assets, namely R$120 million in accounts receivable.

Approximately 41% of GVT's debt is pegged to the U.S. dollar. The exchange rate at the end of 2009 was R$1.7412/US$1, compared with R$2.3370/US$1 at the end of 2008, for depreciation of 25%. The Company's foreign-denominated debt will mature in June 2011. However, in January 2010, GVT (Holding) S.A. has opted to repurchase all outstanding Senior Secured Notes issued by its subsidiary GVT Finance LLC.

The loan and financing agreements maintained between the Company and financial institutions include financial covenants. These covenants include restrictive clauses involving advance requests to financial institutions in situations involving a change in the company's control, under penalty of early maturity of the debt. On December 23, 2009, the Company filed a formal request for prior consent at the BNDES, and to date has not received a formal waiver of compliance.

- **Cash and Cash Equivalents**

The balance of cash and cash equivalents at the end of 2009 was R$700.3 million, compared with R$497.5 million at the end of 2008. This increase in cash was mainly due to the disbursement in June 2009 of the second tranche (R$158.5 million) of the BNDES loan facility and the exercise of stock options in 4Q09 due to the change in control of the Company.

The cash is invested primarily in certificates of deposit (CDs), which are remunerated at rates from 98% to 105% of the CDI interbank overnight rate, which averaged 10.3% per annum in 2009. The cash is invested at prime financial institutions.

- **Net Debt**

As a result of the above factors, GVT's net debt stood at R$153.2 million on December 31, 2009. The net cash/Adjusted EBITDA (LTM) ratio was 0.2x at the end of 2009, down from 0.6x in 2008.

7. MARKET UPDATE

7.1 – Number Portability

Since the introduction of number portability in Brazil in September 2008, a total of 4,424,877 lines have been requested, of which 1,498,164 were fixed lines (Source: ABR – Jan/03/2010). A total of 1,037,500 transfers of fixed lines have already been concluded, with GVT's share accounting for 34%, or 353,198 lines. Considering only the requests made in GVT's operating area, this share increases to 62%. GVT's churn rate is approximately 7:1.

7.2 – Operational Performance in New Cities

In 2009, GVT launched services in five new cities outside Region II: Vitória and Vila Velha (both in Espírito Santo state) in April 2009, and Recife, Jaboatão dos Guararapes (Pernambuco) and Serra (Espírito Santo) in November 2009. The initial investments in these cities reached approximately R$115 million, enabling coverage of 44% of our addressable market. Revenue from the retail segment generated by cities outside Region II reached 13.7% of total net revenue in 2009, compared with 5.7% in 2008.

8. HUMAN RESOURCES

On December 31, 2009 the Company had 5,238 employees, compared with 4,088 employees on December 31, 2008. Employee turnover was 27% in 2009, versus 32% in 2008. Of these professionals, 40% have studied in a post-secondary education program. The Company offers its employees a comprehensive training program that includes both on-site and distance learning courses. In 2009, investments in training reached R$3.7 million, with 371,000 hours of training administered, representing an average of 68 hours per employee.

GVT also offers employees various benefits in the form of a benefit basket, which gives each individual or household free choice and flexibility in terms of standards.

The Company is also committed to developing and maintaining strategic short-term and medium-term compensation programs, with the latter involving profit sharing in accordance with legal provisions, although with a strong focus on leveraging the group's overall results. Payments under this program are made in accordance with the employee's position in the hierarchy and the results obtained by the Company and the respective area. GVT estimates it will distribute R$12 million through this benefit program relative to fiscal year 2009.

GVT also has a stock option plan with more than 900 participants, with the options vesting over a period of up to four years. With the change in the Company's shareholder structure and controlling shareholder at the close of 2009, all options granted were immediately vested, as provided for in the stock option plan agreement.

9. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Social responsibility has been a fundamental aspect of GVT since its founding. The Company's socially responsible role is reflected by the practices it adopts concerning people management, diversity, transparent relationships with stakeholders, excellence in customer service, offering high-quality services at fair prices and support for critical social issues in surrounding communities.

The vision "To be the best Next Generation Services provider in Brazil's key markets" guides the Company in its development of innovative internet-based services and underpins its social actions aimed at promoting the responsible use of technology. Created in 2001, the social project Educando GVT operates on two fronts: digital inclusion and awareness campaigns. The first involves supporting computer labs located in low-income communities and charitable institutions that organize social and digital inclusion actions by providing them with free broadband access, donating computers and repairing computer equipment. Meanwhile, the second front involves producing educational material, such as the guide for Responsible Internet Use, comic books, campaigns, maintaining the website www.internetresponsavel.com.br and the blog www.postdobem.com.br, and organizing informal talks upon request for schools in the Curitiba and surrounding area. These actions are coordinated by volunteers from among GVT employees, who are known at the Company as the "Volunteers for Good".

The Company also maintains strategic alliances with socially responsible partners, which include the non-governmental organizations Digital Inclusion Committee (CDI), the Children's Rights News Center (Ciranda), the Xuxa Foundation, Safernet do Brasil and others.

GVT works on two other important social fronts: the Educar Social Responsibility Program, which works to further professional development through specific training programs, and the Volunteer Program, which mobilizes the Company's employees to participate in various social activities to improve wellbeing and quality of life, such as the Pequeno Príncipe Hospital and Educational Complex in Curitiba. GVT volunteers also contribute by creating spontaneous initiatives that receive the Company's full support.

10. CORPORATE GOVERNANCE

GVT adopts elevated standards of corporate governance and will continue this practice in the future. The Company's firm commitment to corporate governance is reflected by its decision to list its stock on the Novo Mercado Special Corporate Governance segment of the São Paulo Exchange (BM&FBovespa), which requires the highest level of corporate governance practices.

11. DIVIDEND DISTRIBUTION POLICY AND HISTORICAL STOCK TRADING DATA

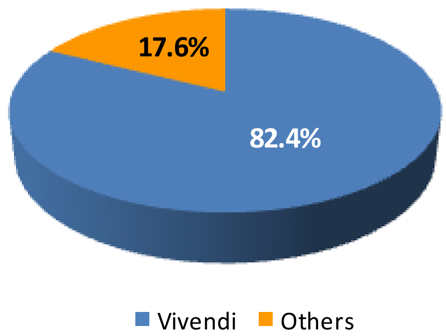
The Company has not distributed dividends since it began operating, including in 2009, given the net loss recorded in the period. GVT does not expect to pay dividends in the short term, including the minimum mandatory dividend, in view of the losses reported.

In addition to the reported losses, the Company is prohibited from paying dividends or interest on equity above the mandatory minimum until it has fulfilled certain financial conditions, in accordance with the provisions of the Debt Exchange Agreement.

Following the end of these restrictions, GVT (Holding) S.A., in accordance with its bylaws and Brazilian Corporation Law, must pay minimum dividends every fiscal year ending December 31, provided there are amounts available for distribution. In accordance with its dividend policy and Brazilian Corporation Law, GVT plans to declare and pay dividends each fiscal year in the minimum amount of 25% of Net Income adjusted in accordance with the bylaws and said law, as well as interest on equity, which will be deducted from the mandatory dividend in accordance with the applicable legislation.

The annual declaration of dividends, including the payment of dividends in excess of the minimum mandatory dividend, requires approval in the Annual Shareholders' Meeting by a majority vote of the shareholders present and will depend on a variety of factors. These factors include the Company's operating results, financial situation, cash requirements, the limits imposed by the debt renegotiation in accordance with the terms of the Debt Exchange Agreement, future prospects and other factors deemed relevant by the board of directors and shareholders. In accordance with governing law, the Company may opt to pay interest on equity, which may be deducted from any mandatory dividends owed.

SHAREHOLDING STRUCTURE ON DECEMBER 31, 2009



12. MAIN ADMINISTRATIVE EVENTS:

On November 13, 2009, a material fact was published about the execution of an agreement between Vivendi and GVT (Holding) S.A.'s controlling shareholders (Swarth Group and GVT Holland) that resulted in the acquisition of 38,422,666 shares at the price of R$56.00 per share. It was also announced that Vivendi (i) acquired directly from other shareholders 10,286,631 shares in GVT (Holding) S.A., and (ii) executed call options with third parties, acquiring the right to purchase 25,134,327 shares in GVT (Holding) S.A.. Accordingly, it was announced that Vivendi had acquired the rights to more than 50% of the Company's capital stock, effectively becoming the new controlling shareholder on that date.

This transfer in control had been previously approved by Anatel on November 12, 2009. In addition, shareholders attending the Extraordinary Shareholders' Meeting held on November 3, 2009 resolved to waive the use of the safeguards against dispersion of the shareholder base provided for in Articles 43 and 44 of the Company's bylaws (the so-called poison pill).

At the Extraordinary Shareholders' Meeting held on December 10, 2009, Ron Zuckerman, Zvi Limon, Jean-Manuel Rozan, Avraham Fischer and Shaul Shani were removed from the Company's Board of Directors, and Jean-Bernard Lévy, Philippe Capron, Régis Turrini and Caroline Le Masne de Chermont were elected to the board, all of whom were appointed by Vivendi. On December 28, 2009, Jean-Bernard Lévy, Vivendi's CEO, was elected Chairman of the Board of Directors of GVT (Holding) S.A..

On January 6, 2010, a material fact was published announcing that Vivendi's interest in the capital of GVT (Holding) S.A. was 85.7% (117,700,000 million shares).

On January 29, 2010, GVT (Holding) S.A. opted to repurchase all outstanding Senior Secured Notes issued by its subsidiary GVT Finance LLC.
The principal of the outstanding Notes is US$179.4 million. The notes will be repurchased (i) on February 26, 2010, (ii) for approximately 102.5% of the principal plus the interest due from December 2009 until the purchase date, and (iii) drawing on the Company's own funds, with no need to tap additional credit lines. After the repurchase above mentioned, there will be no more Notes outstanding.

13. ADMINISTRATIVE REFORMULATIONS

On December 13, 2007, GVT (Holding) S.A. acquired the company Meridiana Cayman located in the Cayman Islands. Meridiana Cayman indirectly owns 100% of the capital in Geodex Communications do Brasil S.A. ("Geodex"). Since 2000, Geodex has operated in the telecommunications market with a focus on offering a long-distance backbone, especially to the carrier segment. It has an optical-fiber network of more than 11,000 km that uses the technologies SDH (Synchronous Digital Hierarchy) and DWDM (Dense Wavelength Division Multiplexing) and its network coverage extends from the South to the Northeast regions of Brazil.

Subsequent to the acquisition process described above, the Company structured a plan for the winding up and merger of the companies Meridiana Cayman, Meridiana Empreendimentos e Participações S.A. ("Meridiana Empreendimentos"), Geodex and Mokong Telecomunicações e Participações S.A. ("Mokong"). The process involves six phases: (1) the transfer of the membership interests in Meridiana Cayman to GVT Ltda.; (2) the winding up of Meridiana Cayman with all rights and obligations assumed by GVT Ltda., which includes the shares in Meridiana Empreendimentos and loans; (3) the winding up of Mokong; (4) the merger of Geodex by Meridiana Empreendimentos; (5) the merger of Meridiana Empreendimentos by GVT Ltda.; and (6) the return of Geodex's license for multimedia communication services to the National Telecommunications Agency ("Anatel").

Phases (1) and (2) were executed by December 31, 2008. Phase (3) was executed by March 31, 2009. Phases (4) and (5) were executed by September 30, 2009. Phase (6) was filed on October 6,2009 at Anatel and is pending a decision.

Moving forward in our reorganization process, the Company sold its interest in GVT Capital N.V., a company headquartered in the Netherlands Antilles and, prior to the sale, a wholly owned subsidiary of GVT Ltda. This process involved the following phases: (1) on December 29, 2009, GVT (Holding) S.A. transferred all of its credits arising from the loan agreements entered into with GVT Capital N.V. to GVT Ltda.; (2) GVT Ltda. then converted all its credits (including those recently acquired from GVT (Holding) S.A.) into an equity interest in GVT Capital N.V.; (3) GVT Capital N.V. then sold to GVT Ltda. its entire interest in the subsidiaries Global Village Management

Co. and GVT Finance LLC, companies based in Delaware, United States of America.; and, finally (4) GVT Ltda. sold its entire interest in GVT Capital N.V. to Centennial Management N.V., a third party not related to the GVT economic group.

14. INVESTMENTS IN AFFILIATES AND/OR SUBSIDIARIES SHOWING THE CHANGES IN THE FISCAL YEAR

a) Consolidated companies:

On October 19, 2007, GVT (Holding) S.A. extended to its wholly subsidiary, GVT Capital N.V., a US$ 22.5 million loan maturing on June 30, 2011, with interest of LIBOR plus 3% p.a. The amount was used to settle a portion of the subsidiary's foreign-denominated loans. On December 29, 2009, the loan extended by GVT (Holding) S.A. to GVT Capital N.V. was transferred to GVT Ltda. In exchange, GVT Ltda. issued a promissory note in favor of GVT (Holding) S.A. in the amount of US$ 26.3 million (corresponding to the original principal of US$ 22.5 million plus interest accrued to December 31, 2009). The maturity date and other economic conditions of the transferred loan remained unchanged. Subsequently, GVT Ltda. converted all of its credits (including the ones recently transferred) into an equity interest in GVT Capital N.V.

In 2007, prior to the initial public offering, GVT (Holding) S.A. converted into shares of its issue a portion of the debt contracted by GVT Ltda. with creditors abroad. As a result, GVT Ltda. owed US$ 222.4 million directly to GVT (Holding) S.A., with interest of 12% p.a. and maturity in June 2011. On December 31, 2009, the outstanding balance of this transaction was R$478.5 million (principal plus interest).

On November 4, 2009, GVT (Holding) S.A. converted the advance for a future capital increase in the amount of R$947.2 million into an equity interest in its subsidiary GVT Ltda., and converted into an equity interest the R$71.5 million and R$37.3 million loans extended to GVT Ltda., as per the 25th contract addendum. GVT (Holding) S.A. also has an advance loan for future capital increase in its indirect subsidiary Innoweb Ltda. in the amount of R$ 1.0 million.

b) Other related parties:

On January 14, 2008, GVT Ltda. and ECI Telecom do Brasil Ltda. (ECI) signed an equipment purchase agreement. This agreement resulted from a response to a commercial proposal request made by GVT Ltda. in November 2007. The purchases made in 2009 totaled R$ 29.9 million. The balance owed to ECI on December 31, 2009 was R$ 2.0 million. ECI is a company controlled by the former Chairman of the Board of Directors, Mr. Shaul Shani, who was removed from the board at the Extraordinary Shareholders' Meeting held on December 10, 2009, due to the change in control of the Company.

As a result of this change in the Company's control on November 13, 2009, the Company incurred R$72.7 million in nonrecurring costs,

comprising: R$16.4 million from the advancement of the stock option vesting period in the stock option plan; R$21.3 million from financial and legal consulting services incurred during the transfer of control; and R$35.0 million related to the early maturity of certain contract obligations.

15. ADHERENCE TO ARBITRATION CHAMBER

The Company and its shareholders, officers, directors and members of the Fiscal Council undertake to submit to arbitration any and all disputes or controversies that may arise between them and related to or originated from, in particular, the application, validity, effectiveness, interpretation, violation and related effects of the provisions in the Novo Mercado Listing Agreement, Novo Mercado Regulations, bylaws, shareholder agreements filed at the Company's head offices, Brazilian Corporation Law, the rules issued by the National Monetary Council (CMN), the Central Bank of Brazil or the Securities and Exchange Commission of Brazil (CVM), BM&FBOVESPA Regulations, other provisions applicable to the capital markets in general, Arbitration Clauses and the Arbitration Clauses and Regulations of the Market Arbitration Chamber, conducted in accordance with these latter Regulations.

16. RELATIONSHIP WITH INDEPENDENT AUDITORS

GVT's policy for its independent auditors with respect to the provision of services not related to the external audit is based on the principles of preserving the auditor's independence. These principles are based on the fact that the auditor must not audit his/her own work, exercise management functions or practice law on the behalf of its client. During the fiscal year ended December 31, 2009, the Company's independent auditors were not hired to perform any services other than to examine the financial statements.

Management