

BRASIL TELECOM HOLDING CO  
Form 425  
August 14, 2009

Filed by Coari Participações S.A.

Pursuant to Rule 425 of the Securities Act of 1933

Subject Company: Brasil Telecom Participações S.A.

Commission File No.: 001-14477

Subject Company: Coari Participações S.A.

Commission File No.: 132-02657

Subject Company: Brasil Telecom S.A.

Commission File No.: 001-15256

THE FOLLOWING ARE MATERIALS MADE PUBLIC BY TELE NORTE LESTE PARTICIPAÇÕES S.A., TELEMAR NORTE LESTE S.A., COARI PARTICIPAÇÕES S.A., BRASIL TELECOM PARTICIPAÇÕES S.A. AND/OR BRASIL TELECOM S.A. RELATING TO THE PROPOSED MERGER OF BRASIL TELECOM PARTICIPAÇÕES S.A. WITH AND INTO BRASIL TELECOM S.A.

\* \* \* \* \*

**Additional Information and Where to Find It:**

This communication contains information with respect to:

the proposed merger (*incorporação*) of Brasil Telecom Participações S.A. ( Brasil Telecom Holding ) with and into Brasil Telecom S.A. ( Brasil Telecom );

the proposed share exchange (*incorporação de ações*) between Brasil Telecom and Coari Participações S.A. ( Coari ); and

the proposed merger (*incorporação*) of Coari with and into Telemar Norte Leste S.A. ( Telemar ).

In connection with the merger of Brasil Telecom Holding with and into Brasil Telecom, Brasil Telecom (1) has filed with the U.S. Securities and Exchange Commission (the Commission ) a registration statement on Form F-4, containing a prospectus which will be mailed to the shareholders of Brasil Telecom Holding, and (2) has filed and will file with the Commission other documents regarding the merger.

In connection with the proposed share exchange between Brasil Telecom and Coari, Coari plans to file with the Commission (1) a registration statement on Form F-4, containing a prospectus which will be mailed to the shareholders of Brasil Telecom, and (2) other documents regarding the proposed share exchange.

In connection with the proposed merger of Coari with and into Telemar, Telemar plans to file with the Commission (1) a registration statement on Form F-4, containing a prospectus which will be mailed to the shareholders of Coari, and (2) other documents regarding the proposed merger.

**We urge investors and security holders to carefully read the relevant prospectuses and other relevant materials when they become available as they will contain important information about the proposed share exchange and mergers.**

Investors and security holders will be able to obtain the documents filed with the Commission regarding the proposed share exchange and mergers, when available, free of charge on the Commission's website at [www.sec.gov](http://www.sec.gov) or from the issuer of the relevant securities, Brasil Telecom, Coari or Telemar, as applicable.

**Special Note Regarding Forward-Looking Statements:**

This communication contains certain forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. The words anticipates, believes, estimates, expects, plans and similar expressions, as they relate to Tele Norte Leste Participações S.A., Telemar, Coari, Brasil Telecom Holding and Brasil Telecom, are intended to identify forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. Undue reliance should not be placed on such statements. Forward-looking statements speak only for the date they are made.

\* \* \* \* \*

**EXHIBITS**

**Exhibit  
Number**

**Description of Document**

- |   |   |
|---|---|
| 1 | Earnings Release of Tele Norte Leste Participações S.A., Telemar Norte Leste S.A., Brasil Telecom Participações S.A. and Brasil Telecom S.A. for the Second Quarter of 2009, dated August 13, 2009.                         |
| 2 | Investor Presentation dated August 13, 2009 to accompany Earnings Call of Tele Norte Leste Participações S.A., Telemar Norte Leste S.A., Brasil Telecom Participações S.A. and Brasil Telecom S.A. held on August 14, 2009. |



UPCOMING EVENTS: CONFERENCE CALLS

PORTUGUESE

DATE: **Friday, August 14, 2009**

11:00am (Rio) - 10:00am (NY)

ACCESS: **Phone:** (55 11) 2188-0188

**Code:** Oi

**Replay:** (55 11) 2188-0188

Available until August 22, 2009

**Code:** Oi

WEBCAST: [Click Here](#)

ENGLISH

DATE: **Friday, August 14, 2009**

1:00pm (Rio) - 12:00pm (NY)

ACCESS: **Phone:** 800 860 2442 (U.S.)

1 412 858 4600 (Brazil / other countries)

**Code:** Oi

**Replay:** 877 344 7529 (U.S.)

Available until August 22, 2009 (code 432108 #)

WEBCAST: [Click Here](#)

A complementary presentation will be available before the start of the conference call at <http://www.oi.com.br/ir>

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<b>Tele Norte Leste Participações</b>	<b>Telemar Norte Leste</b>
Outstanding shares ( 000): 382,425	Outstanding shares ( 000): 238,391
TNLP3: R\$34.92	TMAR3: R\$61.22
TNLP4: R\$29.22	TMAR5: R\$50.90
TNE: US\$14.87 ADR	TMAR6: R\$38.02
Market Capitalization (Million): R\$12,697; US\$6,506	Market Capitalization (Million): R\$14,045 US\$7,197

<b>Brasil Telecom Participações</b>	<b>Brasil Telecom</b>
Outstanding shares ( 000): 362,488	Outstanding shares ( 000): 547,719
B RTP3: R\$33.99	B RTO3: R\$55.50
B RTP4: R\$15.31	B RTO4: R\$13.05
BRP: US\$38.40 ADR	BTM: US\$19.57 ADR
Market Capitalization (Million): R\$8,026; US\$4,112	Market Capitalization (Million): R\$17,743 US\$9,092

Notes: (1) Prices at the end of 2Q09; (2) Outstanding ex-treasury shares; (3) Market Value based on unadjusted shares.

August 13, 2009

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**Rio de Janeiro, August 13, 2009:** Tele Norte Leste Participações S.A. (Bovespa: TNLP4 and TNLP3), Telemar Norte Leste S.A. (Bovespa: TMAR3, TMAR5 and TMAR6), Brasil Telecom Participações S.A. (Bovespa: BRTP3 and BRTP4) and Brasil Telecom S.A. (Bovespa: BRTO3 and BRTO4) are pleased to announce their results for the second quarter of 2009. This release contains the consolidated results of Tele Norte Leste Participações and its direct and indirect subsidiaries as of June 30, 2009. In order to better understand the results and view the progression from past performance, we present the pro-forma 2Q08 consolidated figures for TNLP (Oi) and BrTP.

Message to our Shareholders:

With the aim of updating our shareholders and the market on the integration of Oi and Brt, we wish to share the status of this important moment.

From a corporate standpoint: (i) As of the end of June, the acquisition of Brasil Telecom ON shares was completed by means of a Mandatory Tender Offer. After this stage, a total of R\$12.4 billion had been disbursed for the acquisition of a 55% stake in Brasil Telecom Participações and an 11% interest in Brasil Telecom S.A.. Considering the stake that BrTP already held in BrTO, the latter will have a 22% free float. (ii) As of the end of July, following the end of the quarter, we carried out the first stage of the corporate simplification plan, during which several shareholders' meetings were held to approve the incorporation of many holdings into BrTP and BrTO, without affecting current shareholding ownership.

From an operating perspective, shortly after the BrT's acquisition we began to integrate both companies, seeking to achieve immediate synergies and to consolidate commercial practices. The priority of the Company's management team is to quickly obtain benefits from the integration and to generate as much cash as possible in order to reduce Oi's net debt. The main actions that we carried out include:

Management: Oi's senior managers are concentrated in Rio de Janeiro in a single and integrated organization that covers all operations. In addition, there were the unification of many departments such as accounting, supply planning, legal, treasury, human resources, auditing, investor relations, among others;

Unification of the Network Operating Center in Rio de Janeiro: The operational integration of the Telecom networks was finalized, in order to provide the best technical quality in the market. Therefore, the old network operating centers were merged into one single unit in Rio de Janeiro, in addition to several processes in use at both companies, the data centers, IT-Information Technology areas and contracts for computer support and services, among others.

Review of the internal and external plant maintenance model: By targeting an improvement in the quality of services and a reducing spending on network maintenance, the internal and external plant maintenance model was reviewed. The new model was applied to the internal plant leading to significant synergy gains (to be incorporated just in the second half of the year), while the review of the external plant has yet to be conducted;

Launch of the Oi brand in Region II: During the initial months of the year, all of Brasil Telecom's brand impressions were mapped and the migration process started. In less than one month about 10 thousand public

telephones, 80 stores and kiosks, more than 700 authorized stores and roughly 1,000 sales counters had been migrated. Additionally, every call center attendant and field technician has been re-trained and their service routines altered.

In support of this migration, many marketing campaigns supporting the launch of the Oi brand in the Brasil Telecom region was conducted. These campaigns conveyed Oi-brand messages such as freedom and simplicity.

Oi offers launched in the wireless segment: In May Oi entered Region II and offered the Oi Ligadores prepaid plan, migrating 100% of sales to naked sim card sales. This offer enabled Oi to add one million customers in just one month. The company kept working to align its mobile portfolios and launched the post paid plans Oi Controle (the control post paid plan) and Oi Conta (the post paid plan) in June.

Implementation of a single sales and service model: A single model for sales and service operations for all of Oi's channels is being implemented. The retail market area was restructured in order to focus on small-scale retail channels with exclusive distributors, thus guaranteeing greater efficiency and expanding the company's distribution. This action was followed by an expansion of virtual recharge through the launch of Oi PDV.

The company's stores are being migrated to Oi's franchise model, which will enable more sales, better relationship with clients and a gain in distribution. As for the authorized agents, the focus is being redirected to the post-paid segment. The corporate segment is aiming to consolidate a nationwide approach to customers.

Other initiatives: In all, more than 40 actions directed to boost efficiency in the two companies' combined operations have already been implemented. Some of these actions have already generated savings, while others will only amount to lower costs in the coming months. In addition to these described measures, we highlight actions adopted to curb roaming costs, costs of goods sold (sim cards mostly), interconnection costs and the review of the company's logistics.

The project started six months ago and we now have a better perception of what is feasible for the full year. Our analysis point to cost savings and CAPEX-synergy benefits for 2009.

The two companies will fully integrate by the start of 2010. This process will prepare Oi for a new operating level, whose results will only start being felt next year. In 2010 the company will stop having non-recurring impacts linked to the integration process and to the start-up in São Paulo.



1) **HIGHLIGHTS IN 2Q09:**

59.8 million Revenue Generating Units (RGUs) at the end of June 2009, with 2.2 million net additions in the quarter.

Oi Mobile ended the period with almost 34 million customers, boosted by the start of the portfolio integration with Brasil Telecom through the launch of the Oi Ligadores campaign in Region II, in addition to the São Paulo operation. Oi's nationwide market share in this segment rose from 19.0% in June 2008 to 21.3% in June 2009.

224 thousand new customers in fixed broadband and 3G mini modems in 2Q09, of which 128 thousand were via ADSL/cable and 96 thousand via mini modems. Additionally, approximately 44 thousand new customers were added to the mobile broadband (3G) services via data plans. The total of new broadband customers (fixed and mobile) added to 268 thousand in the quarter.

Consolidated gross revenue totaled R\$11.2 billion, stable as compared to the previous quarter and 2.9% higher than that in 2Q08. During this period, the company was not very active in marketing in Region II, which was reflected in the performance of wireline and broadband services in that region. Oi offers will be launched during the second half for these services.

Consolidated adjusted EBITDA totaled R\$2.4 billion in the quarter, 6.6% lower year-over-year mostly due to the São Paulo operation, which is still in its launch phase. Recurring EBITDA rose 3.0% in the quarter.

Consolidated Net Debt at Oi ended June 2009 at R\$21.6 billion, or 2.2x consolidated adjusted EBITDA for the past 12 months, following the disbursement for the acquisition of shares held by the minority shareholders of Brasil Telecom in the Mandatory Tender Offer.

In addition to non-recurring operating impacts, the R\$146 million loss (R\$-0.38 per share and US\$-0.18 per ADR) stems, mainly, from a temporary fiscal distortion due to the amortization of premium related to the BrT acquisition. We highlight that throughout 2Q09 this premium was still on the balance sheets of the holding companies that were created to acquire BrTP, thus not generating fiscal saving yet.

**Table 1 Consolidated Financial Indicators**

TNL Consolidated - R\$ million	Quarter					Half-Year		
	2Q08	1Q09	2Q09	QoQ	YoY	1H08	1H09	YoY
	Pro forma*					Pro forma*		
Net Revenue	7,478	7,487	7,302	-2.5%	-2.4%	14,709	14,789	0.5%
EBITDA	2,435	2,192	2,323	6.0%	-4.6%	5,019	4,515	-10.0%
EBITDA Margin (%)	32.6%	29.3%	31.8%	2.5p.p.	-0.8p.p.	34.1%	30.5%	-3.6p.p.
Adjusted EBITDA	2,623	2,377	2,449	3.0%	-6.6%	5,207	4,826	-7.3%
Adjusted EBITDA Margin (%)	35.1%	31.7%	33.5%	1.8p.p.	-1.6p.p.	35.4%	32.6%	-2.8p.p.
Net Earnings	288	11	-146	-1427.3%	-150.7%	852	-135	-115.8%
Net Debt	7,905	19,196	21,638	12.7%	173.7%	7,905	21,638	173.7%
Available Cash	10,497	6,676	7,968	19.4%	-24.1%	10,497	7,968	-24.1%
CAPEX	2,599	905	940	3.9%	-63.8%	3,406	1,845	-45.8%
Net Debt / Adjusted EBITDA	0.8	1.9	2.2	15.8%	175.0%	0.8	2.2	175.0%

  

TMAR Consolidated - R\$ million	Quarter					Half-Year		
	2Q08	1Q09	2Q09	QoQ	YoY	1H08	1H09	YoY
	Pro forma*					Pro forma*		
Net Revenue	7,460	7,469	7,284	-2.5%	-2.4%	14,671	14,754	0.6%
EBITDA	2,450	2,204	2,333	5.9%	-4.8%	5,056	4,537	-10.3%
EBITDA Margin (%)	32.8%	29.5%	32.0%	2.5p.p.	-0.8p.p.	34.5%	30.8%	-3.7p.p.
Adjusted EBITDA	2,638	2,389	2,459	2.9%	-6.8%	5,244	4,848	-7.6%
Adjusted EBITDA Margin (%)	35.4%	32.0%	33.8%	1.8p.p.	-1.6p.p.	35.7%	32.9%	-2.8p.p.
Net Earnings	411	2	-178	-9000.0%	-143.3%	1,043	-175	-116.8%

  

BRTP Consolidated - R\$ million	Quarter					Half-Year		
	2Q08	1Q09	2Q09	QoQ	YoY	1H08	1H09	YoY
Net Revenue	2,857	2,768	2,648	-4.3%	-7.3%	5,655	5,415	-4.2%
EBITDA	1,152	461	-574	-224.5%	-149.8%	2,107	-113	-105.4%
EBITDA Margin (%)	40.3%	16.7%	-21.7%	-38.4p.p.	-62.0p.p.	37.3%	-2.1%	-39.4p.p.
Adjusted EBITDA	1,007	910	1,030	13.2%	2.3%	1,962	1,940	-1.1%
Adjusted EBITDA Margin (%)	35.2%	32.9%	38.9%	6.0p.p.	3.7p.p.	34.7%	35.8%	1.1p.p.
Net Earnings	268	-23	-449	-1852.2%	-267.5%	518	-473	-191.3%

  

BRTO Consolidated - R\$ million	Quarter					Half-Year		
	2Q08	1Q09	2Q09	QoQ	YoY	1H08	1H09	YoY
Net Revenue	2,858	2,768	2,648	-4.3%	-7.3%	5,656	5,415	-4.3%
EBITDA	1,126	468	-571	-222.0%	-150.7%	2,072	-102	-104.9%
EBITDA Margin (%)	39.4%	16.9%	-21.6%	-38.5p.p.	-61.0p.p.	36.6%	-1.9%	-38.5p.p.
Adjusted EBITDA	981	917	1,033	12.6%	5.3%	1,927	1,951	1.2%
Adjusted EBITDA Margin (%)	34.3%	33.1%	39.0%	5.9p.p.	4.7p.p.	34.1%	36.0%	1.9p.p.
Net Earnings	321	-80	-722	-802.5%	-324.9%	645	-802	-224.3%

\* The pro-forma consolidation was made from Invitel consolidated, the parent company of BrTP.

## 2) CONSOLIDATED OPERATING PERFORMANCE:

Following the acquisition of Brasil Telecom Participações in January 2009, below are the consolidated pro forma figures related to 2Q08 for comparison purposes.

The company ended 2Q09 with 59.8 million Revenue Generating Units (RGUs), 3.7% higher quarter-over-quarter and 17.6% above the 2Q08 level. Once again, the result was influenced by the expansion of the wireless user base and fixed broadband internet services.

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#### **Wireline Oi Fixed**

The fixed lines in service were stable quarter-over-quarter and year-over-year. The fixed to mobile substitution and the increase in competition in some markets are being offset by the rise in offers of converging products ( Oi Conta Total ) and alternative plans, which help retain clients. At the end of 2Q09, alternative plans reached 11,332 thousand users, or 52.1% of fixed lines in service (50.8% in 1Q09).

#### **Broadband Oi Velox**

The fixed broadband accesses totaled 4,066 thousand, 3.2% and 15.7% higher than those in 1Q09 and 2Q08, respectively, accounting for 18.5% of fixed lines in service in the quarter (17.8% in 1Q09). Although net additions exceeded those in the previous quarter by 9%, it is worth mentioning that this performance was not backed by marketing actions in the first five months in Region II, while offers for broadband services similar to those in Region I will only be launched in the second half of this year.

In addition to fixed broadband, we understand that additions to the broadband service through mini-modems must be part of this analysis, because this is a broadband alternative offered to our clients. In 2Q09, 96 thousand users joined this segment.

The expansion of the broadband user base (ADSL + cable + 3G mini modems) totaled 224 thousand in 2Q09, in a 21.7% growth over 2Q08.

#### **Wireless Oi Mobile**

The wireless base added 2,097 thousand users to end the quarter with 33.9 million customers, accounting for 56.7% of all revenue generating units. In the last 12 months, the mobile segment grew by 8,618 thousand customers (+34.0%), being 3,621 thousand in Region III (SP) where operations began at the end of October of last year and 4,997 thousand from organic growth in Regions I and II (+19.7%).

The prepaid user base rose 7.0% in the quarter and 35.2% since 2Q08, mostly influenced by the successful Oi Ligadores campaign. The start of the Oi Cartão prepaid offer in Region II in May 2009 contributed positively to the addition of 761 thousand users in the quarter. The performance of the prepaid segment in Region II accounts for 40.2% of net additions in the segment.

The post-paid client base rose by 205 thousand quarter-over-quarter and 1,131 thousand since 2Q08, ending June with 5,183 thousand users (15.3% of the total). The Oi Conta Total plan, with 1,276 thousand customers at the end of 2Q09, already amounts to 31% of the post-paid base (29% in 1Q09) in Region I, the only area where it is available.

The 3G mobile internet base, including mini modems and data plans, ended June 2009 with 327 thousand users, with 140 thousand net additions in the quarter.

Oi's market share and penetration rates in June 2009 by region were:

Region I: 30.3% and penetration of 74.0%;

Region II: 16.2% and penetration of 91.8%;

Region III: 9.0% and penetration of 98.6%;

**Table 2 Consolidated Operational Indicators**

	2Q08 Pro forma	1Q09	2Q09	QoQ	YoY
<b>Wireline Services - Oi Fixo</b>					
(a) Lines in Service ( 000)	21,993	21,826	21,753	-0.3%	-1.1%
Residential	15,872	15,576	15,459	-0.8%	-2.6%
Commercial	5,263	5,396	5,442	0.9%	3.4%
Public Telephones	858	854	852	-0.2%	-0.7%
Alternatives Plans ( 000)*	9,061	11,084	11,332	2.2%	25.1%
Proportion of Lines in Service (%)	41.2%	50.8%	52.1%	1.3p.p.	10.9p.p.
ARPU Oi Fixo (R\$)	60.8	58.7	57.3	-2.4%	-5.8%
<b>Broadband Services - Oi Velox</b>					
(b) Broadband Subscribers ( 000)	3,514	3,938	4,066	3.2%	15.7%
Proportion of Lines in Service (%)	15.7%	17.8%	18.5%	0.7p.p.	2.8p.p.
ARPU Broadband (R\$)	48.1	45.1	43.1	-4.4%	-10.4%
<b>Wireless Services - Oi Móvel</b>					
(c) Mobile Subscribers ( 000)	25,314	31,835	33,932	6.6%	34.0%
Pre-Paid Plans	21,263	26,857	28,749	7.0%	35.2%
Post-Paid Plans	4,052	4,978	5,183	4.1%	27.9%
Oi Conta Total ( 000)	783	1,161	1,276	9.9%	63.0%
Market Share Oi (%) - Brazil	19.0%	20.7%	21.3%	0.6p.p.	2.3p.p.
Proportion of Net Additions in Brazil (%)	46.3%	60.7%	35.3%	-25.4p.p.	-11.0p.p.
Monthly Churn rate (%)	2.5%	2.3%	3.5%	1.2p.p.	1.0p.p.
ARPU Oi Móvel (R\$)	24.7	21.1	21.0	-0.5%	-15.0%
<b>Vídeo - Oi TV</b>					
(d) Pay TV Subscribers ( 000)	59	61	62	1.6%	5.1%
<b>RGU - Revenue Generating Unit (a+b+c+d) ( 000)</b>	<b>50,880</b>	<b>57,660</b>	<b>59,813</b>	<b>3.7%</b>	<b>17.6%</b>

\* Alternative plans include Planos de Minutos , Plano Economia , Digitronco , PABX Virtual and others.

**3) CONSOLIDATED FINANCIAL RESULTS:****3.1) Revenue:**

**Consolidated gross revenue** fell slightly compared with the previous quarter (-0.5%) and grew year-over-year (+2.9%). Again, annual expansion was fueled by the increase in revenues from data services (in spite of aggressive competition mostly in Region II) and from the mobile segment, partly offset by a small reduction in revenue from the traditional wireline segment.

Data and mobile segment revenues became more relevant, presently accounting for 39.3% of the company's consolidated gross revenue.

Table 3 Breakdown of Consolidated Gross Revenue

R\$ million	Quarter					Half-Year			%	
	2Q08 Pro forma	1Q09	2Q09	QoQ (%)	YoY (%)	1H08 Pro forma	1H09	YoY (%)	1H08 Pro forma	1H09
<b>Wireline</b>	<b>8,784</b>	<b>8,972</b>	<b>8,830</b>	<b>-1.6</b>	<b>0.5</b>	<b>17,447</b>	<b>17,802</b>	<b>2.0</b>	<b>81.9</b>	<b>79.4</b>
Local (exc. - VC1)	3,291	3,289	3,278	-0.3	-0.4	6,609	6,567	-0.6	31.0	29.3
Local Fixed-to-Mobile (VC1)	1,131	1,151	1,129	-1.9	-0.2	2,271	2,281	0.4	10.7	10.2
Long Distance FF + PCS*	1,309	1,222	1,141	-6.6	-12.8	2,553	2,362	-7.5	12.0	10.5
LD Fixed-to-Mobile (VC2/3)*	363	379	349	-7.9	-3.9	745	728	-2.3	3.5	3.2
Network Usage	242	230	192	-16.5	-20.7	448	422	-5.8	2.1	1.9
Data	1,795	2,079	2,114	1.7	17.8	3,446	4,193	21.7	16.2	18.7
Public Phones	270	249	250	0.4	-7.4	615	499	-18.9	2.9	2.2
Additional Services	233	247	244	-1.2	4.7	468	491	4.9	2.2	2.2
Advanced Voice / Other	150	126	133	5.6	-11.3	291	259	-11.0	1.4	1.2
<b>Wireless</b>	<b>2,085</b>	<b>2,270</b>	<b>2,354</b>	<b>3.7</b>	<b>12.9</b>	<b>3,853</b>	<b>4,624</b>	<b>20.0</b>	<b>18.1</b>	<b>20.6</b>
<b>Services</b>	<b>1,974</b>	<b>2,180</b>	<b>2,254</b>	<b>3.4</b>	<b>14.2</b>	<b>3,654</b>	<b>4,434</b>	<b>21.3</b>	<b>17.2</b>	<b>19.8</b>
Subscriptions	433	534	542	1.5	25.2	823	1,076	30.7	3.9	4.8
Outgoing Calls	818	863	885	2.5	8.2	1,476	1,748	18.4	6.9	7.8
Domestic/Inter. Roaming	42	34	27	-20.6	-35.7	81	62	-23.5	0.4	0.3
Network Usage	520	517	566	9.5	8.8	970	1,082	11.5	4.6	4.8
Data / Value Added	160	233	234	0.4	46.3	304	466	53.3	1.4	2.1
<b>Handset Sales</b>	<b>111</b>	<b>89</b>	<b>100</b>	<b>12.4</b>	<b>-9.9</b>	<b>199</b>	<b>190</b>	<b>-4.5</b>	<b>0.9</b>	<b>0.8</b>
Wireline	8,784	8,972	8,830	-1.6	0.5	17,447	17,802	2.0	81.9	79.4
Wireless	2,085	2,270	2,354	3.7	12.9	3,853	4,624	20.0	18.1	20.6
<b>Total Gross Revenue</b>	<b>10,869</b>	<b>11,242</b>	<b>11,184</b>	<b>-0.5</b>	<b>2.9</b>	<b>21,300</b>	<b>22,426</b>	<b>5.3</b>	<b>100.0</b>	<b>100.0</b>
<b>Consolidated Net Revenue</b>	<b>7,478</b>	<b>7,487</b>	<b>7,302</b>	<b>-2.5</b>	<b>-2.4</b>	<b>14,709</b>	<b>14,789</b>	<b>0.5</b>	<b>69.1</b>	<b>65.9</b>

\* Adjusted to adequately reflect revenue from fixed-to-mobile traffic (VC2/3).

#### **Wireline Services:**

Gross revenue from wireline services rose 0.5% from 2Q08. Year to date, revenue climbed especially as a result of growth in data revenue (+17.8%), partially offsetting the reduction in long-distance services and remuneration for network use. It must be noted that in general, the sharp reduction in marketing campaigns in Region II in the first five months of the year hit revenue growth in the wireline segment at that region in the quarter.

#### **Local Service:**

##### **Fixed-to-Fixed (subscription, traffic, connection fee)**

Revenues from fixed-to-fixed local service were stable compared with 1Q09 and 2Q08. The slight reduction in fixed lines in service was partially offset by greater minute packages in the alternative plans, in an attempt to widen recurring revenue. Compared with 2Q08, revenues were positively influenced by the tariff readjustment of July 2008 (Region I: 2.76%; Region II: 3.0%).

**Fixed-to-Mobile:**

Smaller traffic had a major impact on revenue for this service compared with the previous quarter. The tariff readjustment of July 2008 kept revenue stable (-0.2%) in the last 12 months.

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**Long Distance Services (LD) FF + SMP + VC2 and 3:**

The 10.9% reduction in long-distance revenue results from a decrease in year-over-year traffic and a reduction in SMP traffic. We point out that in 2Q08 this type of traffic had been positively influenced by an incentive for Oi-originated long-distance calls, with the inclusion of long distance selection code 31 in the bonus of Oi Ligadores.

**Remuneration for Network Usage:**

Remuneration for fixed network usage, after R\$117 million eliminations in transactions among group companies, fell R\$38 million in the quarter and R\$50 million from 2Q08, basically due to a decrease in traffic. Comparing with 2Q08, it is evident that during that period calls originated on mobile networks and ended on fixed networks were also included in the mobile bonuses.

**Data Communication Services:**

Oi Velox revenues were the highlight in the fixed revenue, helping the quarter-over-quarter (+R\$69 million) and year-over-year comparisons (+R\$349 million). This result stems from growth in the Oi Velox ADSL access base, which has expanded 15.7% year-to-date. We highlight that these services could have performed better were it not for the sharp reduction in marketing campaigns in Region II during this period.

**Wireless Segment:**

Gross revenue from wireless services grew R\$84 million and R\$269 million quarter-over-quarter and year-over-year, respectively. The following factors influenced this result:

Subscription revenues increased compared with 1Q09 (+R\$8 million) and with 2Q08 (+R\$109 million), reflecting growth in the average user base and greater minute packages in the post-paid segment;

Revenues from outgoing calls rose due to a strong expansion in the prepaid client base (7.0% quarter-over-quarter and 35.2% year-over-year), boosted by the Oi Ligadores campaign, which began in May in Region II through the prepaid offer Oi Cartão ;

Consolidated revenue for mobile network usage ended the quarter at R\$566 million, after eliminating R\$535 million related to intercompany transactions, thus 9.5% and 8.8% higher than the results posted in 1Q09 and 2Q08, respectively, due to a greater average user base;

Data and value-added services revenues were stable in the quarter (+0.4%) but rose 46.3% compared with 2Q08 mostly due to the increase in 3G data subscription services and SMS services. The latter rose due to growth in the average client base, especially the prepaid base.

Average ARPU in the mobile segment (R\$21.0) was similar to that in the previous quarter and 15.0% lower as recorded in 2Q08. The annual reduction was basically driven by the recent relevant increase in Oi's customer base.



**3.2) Operating Expenses:**

Operating expenses in the quarter (excluding depreciation/amortization) fell R\$316 million in the quarter mainly as a result of lower spending on personnel, handset costs and other operating expenses, partially offset by an increase in marketing, third-party services and non-recurring expenses.

There were non-recurring expenses both in 2Q08 and 2Q09. In addition, there were costs and expenses accounted for this quarter that were not present one year ago (non-comparable items), as follows:

(1) Non-recurring costs and expenses in 2Q09 (R\$126 million) amounting to: consulting expenses related to the acquisition of Brasil Telecom, end of the deferral of subsidies on post-paid handsets, as detailed in the item Handset Costs/ Other COGS), as well as expenses linked to the integration of Oi and BrT;

(2) Non-comparable items in 2Q09 vs. 2Q08 (R\$287 million) consisting of: start-up in São Paulo and standardization of accounting policies at BrT and Oi.

Excluding the non-recurring effects in 2Q09 and 2Q08, consolidated operating expenses in the quarter vs. 2Q08 would have been stable. Excluding the recurring effects, there would have been a decrease of R\$289 million (-5.9%).

**Table 4 Breakdown of Operating Expenses**

Item - R\$ million	2Q08		Quarter			Half-Year		
	Pro forma*	1Q09	2Q09	QoQ (%)	YoY (%)	1H08 Pro forma	1H09	YoY (%)
Interconnection	1,346	1,321	1,320	-0.1	-1.9	2,720	2,642	-2.9
Personnel	395	469	476	1.5	20.5	803	945	17.7
Materials	91	97	116	19.6	27.5	198	213	7.6
Handset Costs/Other (COGS)	131	194	150	-22.7	14.5	227	344	51.5
Third-Party Services	1,626	1,745	1,770	1.4	8.9	3,108	3,515	13.1
Marketing	154	129	153	18.6	-0.6	288	283	-1.7
Rent and Insurance	322	389	394	1.3	22.4	626	783	25.1
Provision for Bad Debts	321	398	377	-5.3	17.4	663	776	17.0
Other Operating Expenses (Revenue), Net	657	553	221	-60.0	-66.4	1,056	774	-26.7
<b>TOTAL</b>	<b>5,043</b>	<b>5,295</b>	<b>4,979</b>	<b>-6.0</b>	<b>-1.3</b>	<b>9,690</b>	<b>10,275</b>	<b>6.0</b>

\* The pro-forma consolidation was made from Invitel consolidated, the parent company of Brasil Telecom Participações.

**Interconnection:**

Consolidated interconnection costs were stable compared with the previous quarter, and were lower by 1.9% compared with 2Q08 mainly stemming from a reduction in outgoing traffic seen in Region II, given the wireless market share gain in this region (+1.9 percentage point).

**Personnel:**

Higher personnel expenses in the quarter (1.5%) due to the administrative restructuring that had taken place during the period. Compared with 2Q08, growth of 20.5% is basically due to: (a) an increase in the number of employees, which rose 11% in twelve months, especially in the call center (b) salary readjustment that took place at the end of last year; (c) an increase in spending generated by the integration with Brasil Telecom.

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The increase in employees compared with 2Q08 stems from the launch and expansion of operations in São Paulo, as well as from Decree 6,523 (customer service regulation) in force since December 2008.

Personnel	2Q08	1Q09	2Q09
<b>TNL</b>	<b>10,363</b>	<b>10,940</b>	<b>11,113</b>
<b>BRT</b>	<b>17,828</b>	<b>20,581</b>	<b>20,125</b>
Fixed / Mobile	5,809	5,417	4,685
Call Center	12,019	15,164	15,440
<b>Total</b>	<b>28,191</b>	<b>31,521</b>	<b>31,238</b>

#### Handset Costs and Others (COGS):

Cost of goods sold (COGS) were affected by the non-cash cost when deferral of subsidies ended on post-paid handsets starting at the beginning of this year. Previously, the subsidy on post-paid handsets sold in the retail market was deferred at an average unit cost of R\$300, which was feasible due to the penalty customers paid for early cancellations or for migrating to a prepaid plan. This subsidy used to be amortized in 12 months. Currently, only the post-paid handsets sold in the corporate segment follow this procedure.

#### Third-Party Services:

Spending on third-party services rose R\$25 million in the quarter and R\$144 million compared with 2Q08.

Compared with the previous quarter, growth stemmed from:

Higher spending on plant maintenance;

A rise in commissions, basically as a result of higher Oi Velox sales.

Compared with 2Q08 there was:

Higher spending on plant maintenance, in addition to growth in the broadband user base and the increase generated by the mobile start-up in São Paulo;

Greater spending on commissions, mostly linked to the rise in Oi Velox and Oi Conta Total sales, and to the mobile start-up in São Paulo;

Higher call center expenses in Regions I and III stemming from the start-up in São Paulo, in addition to the impact of the demands brought by Decree 6,523.

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**Marketing:**

Marketing expenses climbed R\$24 million in the quarter mostly due to spending on offers and the unification of the Oi brand in Region II. This expense was stable year-over-year.

**Provisions for Bad Debts:**

Provision for bad debts shrank 5.3% in the quarter, mostly as a result of an improvement in the corporate segment, and accounted for 3.4% of consolidated gross revenue. Year to date, 17.4% growth was fueled by the standardization of accounting policies of Oi and BrT.

**Other Operating Expenses (Income):**

Other operating expenses fell R\$332 million and R\$436 million compared with 1Q09 and 2Q08, respectively. Excluding the non-recurring effects in 2Q08, there was a year-over-year reduction due to smaller provisions for contingencies, especially civil and tax contingencies, and the reversion of the provision for employee profit sharing.

This item's reduction in the quarter also stems from smaller contingencies (mainly labor and tax-related) and from the reversion effect mentioned previously.

**3.3) Other Items in the Consolidated Result:****EBITDA:****Table 5 Adjusted EBITDA and Adjusted EBITDA Margin**

	Quarter					Half-Year		
	Adjusted	Adjusted	Adjusted	QoQ	YoY	Adjusted	Adjusted	YoY
	2Q08					1Q08		
TNL Consolidated	Pro forma	1Q09	2Q09			Pro forma	1H09	
EBITDA (R\$ Mn)	2,623	2,377	2,449	3.0%	-6.6%			