

TELEFONICA BRASIL S.A.
Form 6-K
August 02, 2017

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES EXCHANGE ACT OF 1934**

For the month of July, 2017

Commission File Number: 001-14475

TELEFÔNICA BRASIL S.A.
(Exact name of registrant as specified in its charter)

TELEFONICA BRAZIL S.A.
(Translation of registrant's name into English)

Av. Eng^o Luís Carlos Berrini, 1376 - 28^o andar
São Paulo, S.P.
Federative Republic of Brazil
(Address of principal executive office)

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

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes

No

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes

No

X

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Telefônica Brasil S.A.

Quarterly Information (ITR)

at June 30, 2017

and report on review of quarterly and semester information



(A free translation of the original in Portuguese)

Report on review of quarterly information

To the Board of Directors and Stockholders

Telefônica Brasil S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Telefônica Brasil S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2017, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and six-month periods then ended, and changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21 - "Interim Financial Reporting", of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - "Review of Interim Financial Information Performed by the

Independent Auditor of the Entity" and ISRE 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently did not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

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Other matters

Statement of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2017. These statements are the responsibility of the Company's management and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Audit and review of prior-year information

The Quarterly Information Form (ITR) mentioned in the first paragraph includes accounting information, presented for comparison purposes, related to the statements of income and comprehensive income for the quarter and six-month periods ended June 30, 2016, and the statements of changes in equity, cash flows and value added for the six-month period then ended, obtained from the Quarterly Information Form (ITR) for that quarter, and also to the balance sheet as at December 31, 2016, obtained from the financial statements at December 31, 2016. The review of the Quarterly Information (ITR) for the quarter ended June 30, 2016 and the audit of the financial statements for the year ended December 31, 2016 were conducted by other independent auditors, whose unqualified review and audit reports were dated July 25, 2016 and February 17, 2017, respectively.

São Paulo, July 24, 2017

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5

Estela Maris Vieira de Souza

Contadora CRC 1RS046957/O-3 "S" SP

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TELEFÔNICA BRASIL S.A.
Balance Sheets
At June 30, 2017 and December 31, 2016

(In thousands of reais)

(A free trans

ASSETS	Note	Company		Consolidated		LIABILITIES AND EQUITY	Note	Company	
		06.30.17	12.31.16	06.30.17	12.31.16			06.30.17	12.31.16
Current assets		20,323,772	17,482,265	21,251,020	18,398,995	Current liabilities		22,096,507	20,
Cash and cash equivalents	3	6,564,821	4,675,627	7,447,061	5,105,110	Personnel, social charges and benefits	13	723,793	
Trade accounts receivable, net	4	8,386,679	8,282,685	8,773,857	8,701,688	Trade accounts payable	14	7,157,834	7,
Inventories, net	5	359,956	368,151	389,867	410,413	Taxes, charges and contributions	15	1,679,310	1,
Dividends and interest on equity	16	384,588	-	-	-	Dividends and interest on equity	16	4,569,695	2,
Taxes recoverable	6.a	2,867,811	2,952,622	2,914,299	3,027,230	Provisions	17	1,288,335	1,
Judicial deposits and garnishments	7	317,429	302,349	317,545	302,424	Deferred revenue	18	467,676	
Prepaid expenses	8	868,188	336,508	882,434	343,092	Loans and financing	19	2,053,066	2,
Derivative financial instruments	30	86,191	68,943	86,191	68,943	Debentures	19	3,487,108	2,
Other assets	9	488,109	495,380	439,766	440,095	Derivative financial instruments	30	107,026	
						Other liabilities	20	562,664	1,
Non-current assets		83,844,548	84,475,240	83,105,458	83,667,264	Non-current liabilities		13,414,453	12,
Short-term investments pledged as collateral		82,002	78,153	82,024	78,166				

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Trade accounts receivable, net	4	172,151	200,537	278,311	305,411	Personnel, social charges and benefits	13	16,635	
Taxes recoverable	6.a	447,682	474,240	450,499	476,844	Trade accounts payable	14	-	
Deferred taxes	6.b	-	-	134,649	27,497	Taxes, charges and contributions	15	19,629	
Judicial deposits and garnishments	7	6,183,541	5,974,733	6,260,663	6,049,142	Deferred taxes	6.b	583,967	
Prepaid expenses	8	27,761	35,340	32,454	36,430	Provisions	17	6,872,822	6,
Derivative financial instruments	30	100,185	144,050	100,185	144,050	Deferred revenue	18	446,593	
Other assets	9	75,909	53,363	78,409	55,565	Loans and financing	19	2,748,419	3,
Investments	10	1,454,815	1,407,155	94,558	85,745	Debentures	19	2,133,423	1,
Property, plant and equipment, net	11	31,731,198	31,837,549	31,811,114	31,924,918	Derivative financial instruments	30	2,152	
Intangible assets, net	12	43,569,304	44,270,120	43,782,592	44,483,496	Other liabilities	20	590,813	
						Equity		68,657,360	69,
						Capital	21	63,571,416	63,
						Capital reserves	21	1,272,581	1,
						Revenue reserves	21	2,480,332	2,
						Other comprehensive income	21	21,430	
						Retained earnings	21	1,311,601	
						Additional proposed dividends	21	-	1,
TOTAL ASSETS		104,168,320	101,957,505	104,356,478	102,066,259	TOTAL LIABILITIES AND EQUITY		104,168,320	101,

(A free translation of the original in Portuguese)

TELEFÔNICA BRASIL S.A.**Income Statements****Three and six-month periods ended June 30, 2017 and 2016****(In thousands of reais, except earnings per share)**

(A free translation of the original in Portuguese)

	Note	Company				Consolidated			
		Three-month periods ended		Six-month periods ended		Three-month periods ended		Six-month periods ended	
		06.30.17	06.30.16	06.30.17	06.30.16	06.30.17	06.30.16	06.30.17	06.30.16
Net operating revenue	22	10,054,580	9,912,641	20,134,226	18,270,754	10,697,193	10,510,049	21,200,000	20,000,000
Cost of sales and services	23	(4,796,315)	(5,007,150)	(9,575,713)	(9,164,401)	(5,018,398)	(5,300,261)	(10,000,000)	(10,000,000)
Gross profit		5,258,265	4,905,491	10,558,513	9,106,353	5,678,795	5,209,788	11,200,000	10,000,000
Operating income (expenses)		(4,071,014)	(3,931,561)	(8,023,853)	(6,656,268)	(4,107,601)	(3,962,778)	(8,000,000)	(8,000,000)
Selling expenses	23	(3,288,205)	(3,092,816)	(6,444,193)	(5,675,176)	(3,305,711)	(3,105,136)	(6,400,000)	(6,400,000)
General and administrative expenses	23	(588,247)	(680,228)	(1,204,477)	(1,218,879)	(596,956)	(699,367)	(1,200,000)	(1,200,000)
Other operating income	24	65,366	89,265	179,557	721,937	66,497	90,473	1,000,000	1,000,000
Other operating expenses	24	(259,928)	(247,782)	(554,740)	(484,150)	(271,431)	(248,748)	(550,000)	(550,000)
Operating profit		1,187,251	973,930	2,534,660	2,450,085	1,571,194	1,247,010	3,100,000	3,100,000
Financial income	25	451,443	699,109	977,067	1,446,710	480,998	722,433	1,000,000	1,000,000
Financial expenses	25	(732,166)	(1,027,368)	(1,571,420)	(2,071,416)	(745,284)	(1,028,492)	(1,500,000)	(1,500,000)
Equity in results of investees	10	262,926	194,369	424,784	450,380	544	476	500,000	500,000
Income before taxes		1,169,454	840,040	2,365,091	2,275,759	1,307,452	941,427	2,500,000	2,500,000
Income tax and social contribution	26	(296,532)	(140,544)	(495,972)	(358,033)	(434,530)	(241,931)	(700,000)	(700,000)
Net income for the period		872,922	699,496	1,869,119	1,917,726	872,922	699,496	1,800,000	1,800,000
Basic and diluted earnings per common share (in R\$)	21	0.48	0.39	1.04	1.07				
Basic and diluted earnings per preferred share (in R\$)	21	0.53	0.43	1.14	1.17				

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TELEFÔNICA BRASIL S.A.
Statements of Changes in Equity
Six-month periods ended June 30, 2017 and 2016
(In thousands of reais)

	Capital	Premium on acquisition of interest	Capital reserves Other capital reserves	Treasury shares	Legal reserve	Revenue reserves Tax incentive reserve	Expansion and modernization reserve	Retained earnings
Balances at December 31, 2015	63,571,416	(75,388)	1,435,757	(87,805)	1,703,643	6,928	700,000	-
Payment of additional dividend for 2015	-	-	-	-	-	-	-	-
Prescribed equity instruments DIPJ adjustment - Tax incentives	-	-	-	-	-	4,882	-	66,060 (4,882)
Other comprehensive income	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	1,917,726
Interim interest on equity	-	-	-	-	-	-	-	(918,000)
Balances at June 30, 2016	63,571,416	(75,388)	1,435,757	(87,805)	1,703,643	11,810	700,000	1,060,904
Prescribed equity instruments	-	-	-	-	-	-	-	155,499
Reclassification of premium on acquisition of equity interest by TData	-	75,388	(75,388)	-	-	-	-	-
Preferred shares given referring to the	-	-	2	15	-	-	-	-

judicial process of expansion plan DIPJ adjustment - Tax incentives	-	-	-	-	-	5,259	-	(5,259)
Other comprehensive income	-	-	-	-	-	-	-	(156,266)
Net income for the period	-	-	-	-	-	-	-	2,167,516
Allocation of income:								
Legal reserve	-	-	-	-	204,262	-	-	(204,262)
Interim interest on equity	-	-	-	-	-	-	-	(1,254,145)
Reversal of Expansion and Modernization Reserve	-	-	-	-	-	-	(700,000)	700,000
Expansion and Modernization Reserve	-	-	-	-	-	-	550,000	(550,000)
Additional proposed dividends	-	-	-	-	-	-	-	(1,913,987)
Balances at December 31, 2016	63,571,416	- 1,360,371	(87,790)	1,907,905	17,069	550,000	-	-
Payment of additional dividend for 2016	-	-	-	-	-	-	-	-
Prescribed equity instruments	-	-	-	-	-	-	-	72,840
Repurchase of preferred shares	-	-	-	(2)	-	-	-	-
Preferred shares delivered referring to the judicial process of expansion plan DIPJ adjustment - Tax incentives	-	-	-	2	-	-	-	-
	-	-	-	-	-	5,358	-	(5,358)
	-	-	-	-	-	-	-	-

Other
comprehensive
income

Net income for
the period

Interim interest
on equity

-	-	-	-	-	-	-	-	1,869,119
-	-	-	-	-	-	-	-	(625,000)

Balances at

June 30, 2017	63,571,416	-	1,360,371	(87,790)	1,907,905	22,427	550,000	1,311,601
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(A free translation of the original in Portuguese)

TELEFÔNICA BRASIL S.A.
Statements of Comprehensive Income
Three and six-month periods ended June 30, 2017 and 2016

(In thousands of reais)

		Company		
		Three-month		Six-month
		periods ended		
	Note	06.30.17	06.30.16	06.30.17
Net income for the period		872,922	699,496	1,869,119
Unrealized gains (losses) on investments available for sale	10	(131)	66	334
Taxes		44	(23)	(114)
		(87)	43	220
Gains (losses) on derivative financial instruments	30	(2,164)	6,141	3,966
Taxes		736	(2,088)	(1,349)
		(1,428)	4,053	2,617
Cumulative Translation Adjustments (CTA) on transactions in foreign currency	10	8,181	(10,311)	7,130
Other comprehensive income (losses) to be reclassified into income (losses) in subsequent periods		6,666	(6,215)	9,966
Comprehensive income for the period, net of taxes		879,588	693,281	1,879,086

(A free translation of the original in Portuguese)

TELEFÔNICA BRASIL S.A.
Statements of Cash Flows
Six-month periods ended June 30, 2017 and 2016

(In thousands of *Reais*)

(A free translation of the original in Portuguese)

	Company		Consolidated	
	06.30.17	06.30.16	06.30.17	06.30.16
<u>Operating activities</u>				
Expenses (revenues) not representing changes in cash:				
Income before taxes	2,365,091	2,275,759	2,588,167	2,500,000
Depreciation and amortization	3,887,106	3,389,592	3,900,834	3,800,000
Foreign exchange gains on loans and derivative financial instruments	54,286	13,739	54,286	13,739
Monetary losses	327,745	304,788	337,006	290,000
Equity in results of investees	(424,784)	(450,380)	(1,349)	(450,380)
Losses (gains) on write-off/sale of goods	10,791	(452,157)	10,264	(452,157)
Provision for impairment - accounts receivable	682,800	577,628	728,525	600,000
Provision of trade accounts payable	121,672	318,334	91,698	300,000
Write-off and reversals for impairment - inventories	(36,005)	(19,774)	(31,727)	(20,000)
Pension plans and other post-retirement benefits	15,410	(4,788)	15,400	(4,788)
Provisions for tax, civil, labor and regulatory contingencies	448,505	485,493	460,494	500,000
Interest expense	529,876	507,652	529,876	500,000
Other	6,205	(43,124)	6,205	(43,124)
Changes in assets and liabilities				
Trade accounts receivable	(758,408)	(608,191)	(773,594)	(800,000)
Inventories	44,200	139,910	52,273	140,000
Taxes recoverable	(193,192)	2,918	(166,008)	(50,000)
Prepaid expenses	(425,483)	(381,424)	(436,748)	(390,000)
Other current assets	3,148	36,025	(4,301)	36,025
Other noncurrent assets	(23,101)	32,758	(22,432)	32,758
Personnel, social charges and benefits	(17,386)	67,253	(17,726)	67,253
Trade accounts payable	(4,952)	(627,547)	(36,592)	(440,000)
Taxes, charges and contributions	286,211	(118,816)	290,342	300,000
Other current liabilities	(1,344,868)	(283,530)	(1,344,178)	(280,000)
Other non-current liabilities	(537,444)	(487,759)	(518,449)	(490,000)
	5,017,423	4,674,359	5,712,266	5,800,000
Interest paid	(398,438)	(446,340)	(398,438)	(446,340)
Income tax and social contribution paid	-	(157,831)	(175,170)	(157,831)
Total cash generated by operating activities	4,618,985	4,070,188	5,138,658	5,000,000

Investing activities

Additions to PP&E, intangible assets	(3,435,935)	(3,097,358)	(3,503,628)	(3,64
Cash received from sale of PP&E items	16,721	765,208	17,948	76
Redemption of (increase in) judicial deposits	(46,215)	(100,252)	(46,665)	(11
Dividends and interest on equity received	-	389,395	-	-
Cash and cash equivalents merged	-	358,579	-	-

Total cash used in investing activities **(3,465,429) (1,684,428) (3,532,345) (3,00**

Financing activities

Payment of loans, financing and debentures	(1,223,083)	(1,461,168)	(1,223,083)	(1,63
Funding from the issuance of loans, financing and debentures	2,039,878	-	2,039,878	-
Received from derivative financial instruments	50,927	72,444	50,927	7
Payment of derivative financial instruments	(131,411)	(139,427)	(131,411)	(13
Payment for reverse split of shares	-	(164)	-	-
Dividends and interest on equity paid	(671)	(917)	(671)	(6
Repurchase of preferred shares	(2)	-	(2)	(2

Total cash generated by (used in) financing activities **735,638 (1,529,232) 735,638 (1,69**

Increase in cash and cash equivalents **1,889,194 856,528 2,341,951 33**

Cash and cash equivalents at beginning of the period **4,675,627 4,206,595 5,105,110 5,33**

Cash and cash equivalents at end of the period **6,564,821 5,063,123 7,447,061 5,67**

Changes in cash and cash equivalents for the period **1,889,194 856,528 2,341,951 33**

(A free translation of the original in Portuguese)

TELEFÔNICA BRASIL S.A.
Statements of Value Added
Six-month periods ended June 30, 2017 and 2016
(In thousands in reais)

(A free translation of the original in Portuguese)

	Company		Consolidated	
	06.30.17	06.30.16	06.30.17	06.30.16
Revenues	28,190,119	25,196,800	29,486,687	28,548,619
Sale of goods and services	28,335,138	25,291,571	29,649,858	28,601,572
Other revenues	537,781	482,857	565,354	608,480
Provision for impairment of trade accounts receivable	(682,800)	(577,628)	(728,525)	(661,433)
Inputs acquired from third parties	(9,398,203)	(8,785,611)	(9,913,958)	(10,006,992)
Cost of goods and products sold and services rendered	(4,681,846)	(4,926,792)	(5,198,167)	(5,925,740)
Materials, electric energy, third-party services and other expenses	(4,711,195)	(4,331,613)	(4,706,749)	(4,559,399)
Assets (loss) recovery	(5,162)	472,794	(9,042)	478,147
Gross value added	18,791,916	16,411,189	19,572,729	18,541,627
Retentions	(3,887,106)	(3,389,592)	(3,900,834)	(3,866,606)
Depreciation and amortization	(3,887,106)	(3,389,592)	(3,900,834)	(3,866,606)
Net value added produced	14,904,810	13,021,597	15,671,895	14,675,021
Value added received in transfer	1,401,851	1,897,090	1,036,261	1,521,357
Equity in results of investees	424,784	450,380	1,349	724
Financial income	977,067	1,446,710	1,034,912	1,520,633
Total value added	16,306,661	14,918,687	16,708,156	16,196,378
Distribution of value added	(16,306,661)	(14,918,687)	(16,708,156)	(16,196,378)
Personnel, social charges and benefits	(2,016,616)	(1,834,805)	(2,040,295)	(2,144,764)
Direct compensation	(1,373,761)	(1,293,080)	(1,388,739)	(1,510,710)
Benefits	(537,305)	(454,460)	(544,667)	(532,573)

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FGTS (unemployment compensation fund)	(105,550)	(87,265)	(106,889)	(101,481)
Taxes, charges and contributions	(9,471,638)	(7,942,995)	(9,828,331)	(8,722,082)
Federal	(2,712,978)	(2,300,095)	(3,046,182)	(2,682,492)
State	(6,714,322)	(5,603,086)	(6,726,871)	(5,966,447)
Municipal	(44,338)	(39,814)	(55,278)	(73,143)
Third-party debt remuneration	(2,949,288)	(3,223,161)	(2,970,411)	(3,411,806)
Interest	(1,539,760)	(2,044,709)	(1,555,833)	(2,112,815)
Rental	(1,409,528)	(1,178,452)	(1,414,578)	(1,298,991)
Equity remuneration	(1,869,119)	(1,917,726)	(1,869,119)	(1,917,726)
Retained profit	(1,869,119)	(1,917,726)	(1,869,119)	(1,917,726)

Telefônica Brasil S. A.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Three and six-month period ended June 30, 2017

(In thousands of *Reais*, unless otherwise stated)

1) THE COMPANY AND ITS OPERATIONS

a) Background information

Telefônica Brasil S.A. ("Company" or "Telefônica Brasil") is a publicly-traded corporation operating in telecommunication services and in the performance of activities that are necessary or useful in the rendering of such services, in conformity with the concessions, authorizations and permissions it has been granted. The Company, headquartered at Avenida Engenheiro Luiz Carlos Berrini, No. 1376, in the city and State of São Paulo, Brazil, is a member of Telefónica Group ("Group"), the telecommunications industry leader in Spain, also present in various European and Latin American countries.

At June 30, 2017 and December 31, 2016, Telefónica S.A. ("Telefónica"), the Group holding company based in Spain, held total direct and indirect interest in the Company of 73.58%, including treasury shares (Note 21).

The Company is registered in the Brazilian Securities Commission ("CVM") as a publicly-held company under Category A (issuers authorized to trade any marketable securities) and has shares traded on the B3 (company resulting from the combination of activities between BM&FBovespa and CETIP). The Company is also listed in the Securities and Exchange Commission ("SEC"), of the United States of America, and its American Depositary Shares ("ADSs") are classified under level II, backed only by preferred shares and traded on the New York Stock Exchange ("NYSE").

b) Operations

The Company operates in the rendering of: (i) Fixed Switched Telephone Service Concession Arrangement ("STFC"); (ii) Multimedia Communication Service ("SCM", data communication, including broadband

internet); (iii) Personal Mobile Service ("SMP"); and (iv) Conditioned Access Service ("SEAC" - Pay TV), throughout Brazil, through concessions and authorizations, as established in the General Plan of Concessions ("PGO").

In accordance with the STFC service concession agreement, in every two years, during the agreement's 20-year term, the Company shall pay a fee equivalent to 2% of its prior-year STFC revenue, net of applicable taxes and social contribution taxes (Note 20). The Company's current STFC concession agreement is valid until December 31, 2025.

In accordance with the authorization terms for the usage of frequencies associated with SMP, in every two years after the first renewal of these agreements, the Company shall pay a fee equivalent to 2% of its prior-year SMP revenue, net of applicable taxes and social contribution taxes (Note 20), and in the 15th year the Company will pay 1% of its prior-year revenue. The calculation will consider the net revenue from the application of Basic and Alternative Services Plans. These agreements can be extended only once for a term of 15 years.

Service concessions and authorizations are granted by the Brazil's Telecommunications Regulatory Agency ("ANATEL"), the agency responsible for the regulation of the Brazilian telecommunications sector under the terms of Law No. 9472 of July 16, 1997 - General Telecommunications Law ("Lei Geral das Telecomunicações" - LGT), amended by Laws No. 9986, of July 18, 2000, and No. 12485, of September 12, 2011. The operation of such concessions is subject to supplementary regulations and plans.

The information on the operation areas (regions) and due dates of the radiofrequency authorizations for SMP services is the same of Note 1b) Operations as disclosed in the financial statements for the year ended December 31, 2016.

c) Acquisition of GVT Participações S.A. ("GVTPart")

The information on the acquisition process of GVTPart, which occurred in May 2015, is the same of Note 4) Acquisition of GVT Participações S.A. ("GVTPart"), as disclosed in the financial statements for the year ended December 31, 2016.

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NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Three and six-month period ended June 30, 2017

(In thousands of *Reais*, unless otherwise stated)

d) Corporate restructuring

The Shareholders' Meeting held on April 1, 2016, approved corporate restructuring in accordance with the terms and conditions proposed on March 14, 2016. The information on the Corporate Restructuring is the same as in Note 1c) Corporate Restructuring, as disclosed in the financial statements for the year ended December 31, 2016.

2) BASIS OF PREPARATION AND PRESENTATION OF THE QUARTERLY FINANCIAL STATEMENTS

a) Statement of compliance

The individual (Company) and consolidated quarterly financial Statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, which comprise CVM standards and CPC (Accounting Pronouncements Committee) pronouncements, and in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

All significant information in the financial statements - and solely such information - is disclosed and corresponds to that used by Company management for administration purposes.

The consolidated statements (Consolidated) have been prepared and are presented in accordance with CPC 21 (R1) Interim Statements and IAS 34 - Interim Financial Reporting issued by the IASB and standards established as Resolution no. 739/15 of the CVM.

b) Basis of preparation and presentation

The Company's quarterly financial statements for the three and six-month periods ended June 30, 2017 are presented in thousands of *Reais* (unless otherwise stated), which is the functional currency of the Company.

Management has assessed the Company's ability to continue operating normally and is convinced that it has the resources to continue its business in the future. In addition, Management is not aware of any material uncertainties that could generate significant doubts about its ability to continue operating. Therefore, these quarterly financial statements were prepared based on the assumption of continuity.

These quarterly financial statements compare the quarters ended June 30, 2017 and 2016, except for the balance sheets, that compare the positions as of June 30, 2017 and December 31, 2016.

The Board of Directors authorized the issue of these individual and consolidated financial statements at the meeting held on July 24, 2017.

Business segments are defined as components of a company for which separate financial information is available and regularly assessed by the operational decision makers in decisions on how to allocate funds to an individual segment and in the assessment of segment performance. Considering that: (i) all officers and managers' decisions are based on consolidated reports; (ii) the Company and subsidiaries' mission is to provide their customers with quality telecommunications services; and (iii) all decisions related to strategic planning, finance, purchases, short- and long-term investments are made on a consolidated basis, the Company and subsidiaries operate in a single operating segment, namely the provision of telecommunications services.

The accounting standards adopted in Brazil require the presentation of the Statement of Value Added ("SVA"), individual and consolidated, while IFRS does not require such presentation. As a result, under IFRS standards, the SVA is being presented as supplementary information, without prejudice to the overall quarterly financial statements.

As a result of the Corporate Restructuring process (Note 1d), which occurred on April 1, 2016, the individual quarterly financial statements for the six-month period ended June 30, 2017 and 2016 are not comparable.

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Three and six-month period ended June 30, 2017

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The quarterly financial statements were prepared in accordance with the principles, practices and accounting criteria consistent with those adopted in the preparation of the financial statements for the year ended December 31, 2016 (Note 3) Summary of Significant Accounting Practices) and should be analyzed in conjunction with these financial statements, in addition to the new pronouncements, interpretations and amendments, which came into effect as of January 1, 2017, as described below:

IAS 7 - Cash Flow. amendments: The changes are part of the IASB disclosure initiative and require an entity to provide disclosures that enable users of financial statements to assess changes in liabilities arising from financing activities, including both the changes affecting cash flows, and changes that do not affect cash. At the initial adoption of the amendment, entities are not required to provide comparative information for prior periods. The application of the changes in this standard did not cause any material impact on the Company's cash flow disclosures.

IAS 12 - Income Taxes. amendments: The amendments clarify that an entity should consider whether tax legislation restricts sources of taxable income against which it may make deductions on the reversal of that deductible temporary difference. In addition, the amendments provide guidance on how an entity should determine future taxable income and explain the circumstances under which taxable income may include the recovery of some assets for amounts greater than their carrying amount. If an entity adopts the changes for an earlier period, it should disclose that fact. The application of the changes in this standard did not have a material impact on the Company's financial position.

On the date of preparation of these quarterly financial statements, the following IFRS amendments had been published; however, their application was not mandatory. The Company does not adopt early any pronouncement, interpretation or amendment that has been issued, before application is mandatory.

Standards and Amendments to the Standards	Effective as of:
IFRS 9 Financial Instruments, issued	January 1, 2018
IFRS 15 Revenue from Contracts with Customers, as issued	January 1, 2018
IFRS 2 Classification and Valuation of Share Based Transactions, as amended	January 1, 2018
IFRS 4 Insurance Contracts, as amended	January 1, 2018
IAS 40 Investment Property Transfers, as amended	January 1, 2018
IFRIC 22 Transactions in Foreign Currency and Advance Payments, as issued	January 1, 2018
Annual Improvements to IFRS, 2014-2016 Cycle, as issued	January 1, 2017 / 2018
IFRS 16 Leases, as issued	January 1, 2019
IFRIC 23 Uncertainties over Income Tax Treatments	January 1, 2019
IFRS 17 Insurance Contracts	January 1, 2021
IFRS 10, 12 and IAS 28 Investment Entities: Applying the Consolidation Exception, as amended	TBD

Based on preliminary studies, the Company expects the implementation of many of these standards, changes and interpretations will not have a significant impact on the financial statements in the initial period of application. However, the Company expects the following standards issued, but not yet mandatory, may have a significant impact on the Company's consolidated financial statements at the time of application and prospectively.

IFRS 9 - Financial Instruments. Issue: In July 2014, the IASB issued the final version of IFRS 9, which replaces IAS 39 and all previous versions of IFRS 9.

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IFRS 9 applies to financial assets and liabilities and establishes the classification, valuation, losses and write-off criteria for recognition of such items, as well as a new hedge accounting model. The Company estimates that major changes will occur in the documentation of hedge policies and strategies, as well as in the estimation of expected losses on financial assets. The changes introduced by IFRS 9 will affect the recognition of financial assets and derivative financial instruments as of January 1, 2018. The Company is carrying out the process of implementing the new criteria, but due to the relevance of the potentially affected items and the complexity of the estimates, understands that it is not reasonably possible to quantify the impacts of the application of this standard on the date of these quarterly financial statements.

IFRS 15 - Revenue from Contracts with Customers. Issuance: IFRS 15 establishes criteria for the accounting of revenues from customer contracts. The Company is currently in the process of estimating the impacts of this new standard on its contracts. This analysis identified a number of expected impacts related to the following aspects, among others:

- Under the current accounting policy, the Company offers commercial packages that combine equipment and services of telephony, fixed and mobile, data, internet and television, total revenue of services is distributed among its elements identified based on their respective fair values.

Under IFRS 15, amounts will be allocated to each element based on the independent selling prices of each individual component in relation to the total price of the package and will be recognized (and measured) when the obligation is satisfied. Consequently, the application of the new criteria will mean an acceleration in the recognition of equipment sales revenues, which are generally recognized at the time of delivery to the final consumer. To the extent that the packages are marketed at a discount, the difference between the profit on sales of equipment and the amount received from the customer at the inception of the contract will be recognized as a contractual asset.

- According to the criteria currently in force, all costs directly related to obtaining commercial contracts (sales commissions and other expenses with third parties) are accounted as expenses when incurred. On the other hand, IFRS 15 requires the recognition of an asset for the amounts incurred under these contracts and its subsequent accounting in the income statement according to the period of the respective agreement. Likewise, certain costs related to the performance of the contract, currently recognized as expenses, when incurred, will be deferred when associated with compliance obligations over the period of contract.

- Compared to the current standard, IFRS 15 establishes more detailed requirements on the accounting treatment of contract changes. Thus, certain changes will be recorded retrospectively and others prospectively resulting in the redistribution of revenues among the various performance obligations identified.

The Company is advancing in the process of implementing the new criteria, but due to the high number of transactions affected, the high volume and dispersion of the necessary information and the complexity of the estimates, the Company understands that at the closing date of the quarterly financial statements cannot reliably measure the impact of the application of this standard.

However, considering the current commercial offers as well as the volume of affected contracts, the Company estimates that the changes introduced by IFRS 15 will have a significant impact on its financial statements at the date of its initial application. In addition, the Company's financial statements will include more quantitative disclosures of revenue-related accounts.

IFRS 16 - Leasing. Issuance: IFRS 16 establishes that companies acting as lessees must recognize in the balance sheet the assets and liabilities arising from all lease agreements (except for short-term lease agreements and those for low value assets).

The Company has a very large number of leases as a lessee of various assets, such as third-party towers, circuits, real estate and land (where the towers are primarily located). Under the current standard, significant portions of such contracts are classified as operating leases, where payments are generally recorded on a straight-line basis over the contract term.

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The Company is currently in the process of estimating the impact of this new standard on such contracts. In this analysis, the estimate of the term of the lease is included, considering the non-cancellable period and the periods covered if exercised the option to extend the lease for those cases there exists reasonable certainty, which will depend, of the expected use of the Company's assets installed in the leased assets.

In addition to the term of the lease, assumptions will be used to calculate the discount rate, which will depend mainly on the incremental financing rate for the estimated periods. In addition to the previous estimates, the standard allows two transition methods, being: (i) full retrospective for each comparative period presented; and (ii) modified retrospective with the cumulative effect of the initial application of the standard recognized at the date of initial application. In addition, it is possible to choose specific practical relieves at the time of applying the standard on measurement of liability, discount rate, losses, leases ending within twelve months after the first application, initial direct costs, and lease duration. Thus, depending on the transition method to be chosen, the impacts will be different.

Due to the different alternatives, as well as the complexity of the estimates and the high number of contracts, the Company has not yet completed the implementation process, so that at the date of the quarterly financial statements it is not possible to estimate the impact of the application of this standard.

However, considering the volume of contracts affected, the Company estimates that the changes introduced by IFRS 16 will have a significant impact on its financial statements from the date of adoption, including the recognition of the right to use and the corresponding obligations in respect to the contracts which, under the current standard, are classified as operating leases. In addition, depreciation of the right to use the assets and recognition of interest on the lease obligation will replace a significant portion of the amount recognized as expenses in the income statement for the operating lease. The classification of payments in the statement of cash flows will also be affected by the adoption of IFRS 16.

c) Basis of consolidation

At June 30, 2017 and 2016 and December 31, 2016, the Company held the following direct equity interests:

Investees	Type of investment	Equity interests	Country (Headquarters)
Telefônica Data S.A. ("TData")	Wholly-owned subsidiary	100.00%	Brazil
POP Internet Ltda ("POP") (note 1c)	Wholly-owned subsidiary	100.00%	Brazil
Aliança Atlântica Holging B.V. ("Aliança")	Jointly-controlled subsidiary	50.00%	Holland
Companhia AIX de Participações ("AIX")	Jointly-controlled subsidiary	50.00%	Brazil
Companhia ACT de Participações ("ACT")	Jointly-controlled subsidiary	50.00%	Brazil

In the parent company financial statements interests held in subsidiaries or jointly-controlled entities are measured under the equity method. In the consolidated investments and all asset and liability balances, revenues and expenses arising from transactions and interest held in subsidiaries are fully eliminated. Investments in jointly-controlled entities are measured under the equity method.

3) CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	06/30/17	12/31/16	06/30/17	12/31/16
Cash and banks	70,434	189,445	71,842	198,369
Short-term investments	6,494,387	4,486,182	7,375,219	4,906,741
Total	6,564,821	4,675,627	7,447,061	5,105,110

Highly liquid short-term investments basically comprise Bank Deposit Certificates (CDB) and Repurchase Agreements kept at first-tier financial institutions, pegged to the Interbank Deposit Certificate (CDI) rate, with original maturities of up to six months, and with immaterial risk of change in value. Revenues generated by these investments are recorded as financial income.

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NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

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4) TRADE ACCOUNTS RECEIVABLE, NET

	Company		Consolidated	
	06/30/17	12/31/16	06/30/17	12/31/16
Billed amounts	6,289,506	6,077,768	7,039,222	6,939,909
Unbilled amounts	1,981,225	1,898,630	2,097,475	1,930,708
Interconnection amounts	1,277,127	1,333,595	1,311,953	1,345,471
Amounts from related parties (Note 27)	161,756	177,741	176,832	190,906
Gross accounts receivable	9,709,614	9,487,734	10,625,482	10,406,994
Estimated impairment losses	(1,150,784)	(1,004,512)	(1,573,314)	(1,399,895)
Total	8,558,830	8,483,222	9,052,168	9,007,099
Current	8,386,679	8,282,685	8,773,857	8,701,688
Non-current	172,151	200,537	278,311	305,411

Consolidated balances of non-current trade accounts receivable include:

- R\$119,177 at June 30, 2017 (R\$143,265 at December 31, 2016), relating to the business model of resale of goods to legal entities, receivable within 24 months. At June 30, 2017, the impact of the present-value adjustment was R\$21,259 (R\$32,920 at December 31, 2016).
- R\$52,974, at June 30, 2017 (R\$57,272, at December 31, 2016), net of the present value adjustment relating to the portion of accounts receivable arising from negotiations on the bankruptcy process of companies from the OI group. At June 30, 2017, the impact of the present-value adjustment was R\$8,130

(R\$10,268 at December 31, 2016).

- R\$106,160, at June 30, 2017, (R\$104,874 at December 31, 2016), relating to "Solucionada TI", traded by TData, which consists of lease of IT equipment to small and medium companies and receipt of fixed installments over the contractual term. Considering the contractual terms, this product was classified as finance lease. At June 30, 2017, the impact of the present-value adjustment was R\$2,261 (R\$3,005 at December 31, 2016).

The trade accounts receivable, relating to finance lease of "Solucionada TI" product, comprise the following effects:

	Consolidated	
	06/30/17	12/31/16
Nominal amount receivable	597,606	611,384
Deferred financial income	(2,261)	(3,005)
Present value of accounts receivable	595,345	608,379
Estimated impairment losses	(361,583)	(344,738)
Net amount receivable	233,762	263,641
Current	127,602	158,767
Non-current	106,160	104,874

At June 30, 2017, the aging of gross trade accounts receivable relating to "Solucionada TI" product is as follows:

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	Consolidated	
	Nominal amount receivable	Present value of accounts receivable
Falling due within one year	320,751	320,751
Falling due between one year and five years	276,855	274,594
Total	597,606	595,345

There are no unsecured residual values resulting in benefits to the lessor nor contingent payments recognized as revenue for the period.

The aging of trade accounts receivable, net of estimated impairment losses, is as follows:

	Company		Consolidated	
	06/30/17	12/31/16	06/30/17	12/31/16
Falling due	6,307,590	6,392,442	6,815,427	6,841,752
Overdue – 1 to 30 days	1,123,120	1,025,630	1,167,325	1,073,568
Overdue – 31 to 60 days	367,808	309,210	379,093	322,485
Overdue – 61 to 90 days	243,425	225,132	247,523	227,010
Overdue – 91 to 120 days	121,286	110,813	119,406	105,048
Overdue – over 120 days	395,601	419,995	323,394	437,236
Total	8,558,830	8,483,222	9,052,168	9,007,099

At June 30, 2017 and December 31, 2016, no customer represented more than 10% of trade accounts receivable, net.

Changes in the estimated impairment losses for accounts receivable are as follows:

	Company	Consolidated
Balance at 12/31/15	(1,650,112)	(2,217,926)
Increase to estimated losses (Note 23)	(807,213)	(919,351)
Reversal of estimated losses (Note 23)	229,585	257,918
Write-off due to use	460,924	507,753
Merger (Note 1d)	(160,720)	-
Balance at 06/30/16	(1,927,536)	(2,371,606)
Increase to estimated losses	(860,146)	(924,424)
Reversal of estimated losses	212,032	237,636
Write-off due to use	1,571,138	1,658,499
Balance at 12/31/16	(1,004,512)	(1,399,895)
Increase to estimated losses (Note 23)	(881,479)	(940,100)
Reversal of estimated losses (Note 23)	198,679	211,575
Write-off due to use	536,528	555,106
Balance at 06/30/17	(1,150,784)	(1,573,314)

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Telefônica Brasil S. A.**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS****Three and six-month period ended June 30, 2017****(In thousands of *Reais*, unless otherwise stated)****5) INVENTORIES, NET**

	Company		Consolidated	
	06/30/17	12/31/16	06/30/17	12/31/16
Materials for resale (1)	319,796	335,281	350,432	377,465
Materials for consumption	75,604	75,086	78,625	77,732
Other inventories	7,968	7,892	7,968	7,892
Gross total	403,368	418,259	437,025	463,089
Estimated losses from impairment or obsolescence	(43,412)	(50,108)	(47,158)	(52,676)
Total	359,956	368,151	389,867	410,413

(1) This includes, among others, mobile phones, simcards (chip) and IT equipment in stock.

Changes in estimated impairment losses and inventory obsolescence are as follows:

	Company	Consolidated
Balance at 12/31/15	(48,390)	(52,341)
Increase to estimated losses	(1,993)	(4,731)
Reversal of estimated losses	10,196	12,203
Balance at 06/30/16	(40,187)	(44,869)
Increase to estimated losses	(22,950)	(25,024)
Reversal of estimated losses	13,029	17,217
Balance at 12/31/16	(50,108)	(52,676)
Increase to estimated losses	(16,151)	(19,580)
Reversal of estimated losses	22,847	25,098
Balance at 06/30/17	(43,412)	(47,158)

Additions and reversals of estimated impairment losses and inventory obsolescence are included in cost of goods sold (Note 23).

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Telefônica Brasil S. A.**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS****Three and six-month period ended June 30, 2017****(In thousands of *Reais*, unless otherwise stated)****6) DEFERRED TAXES AND TAXES RECOVERABLE****a) Taxes recoverable**

	Company		Consolidated	
	06/30/17	12/31/16	06/30/17	12/31/16
State VAT (ICMS) (1)	2,336,222	2,317,739	2,346,113	2,329,159
Income and social contribution taxes recoverable (2)	779,002	829,160	783,682	830,549
Withholding taxes and contributions (3)	111,959	131,915	129,796	157,371
PIS and COFINS	75,613	125,273	76,674	148,759
INSS, ISS and other taxes	12,697	22,775	28,533	38,236
Total	3,315,493	3,426,862	3,364,798	3,504,074
Current	2,867,811	2,952,622	2,914,299	3,027,230
Non-current	447,682	474,240	450,499	476,844

(1) This includes credits arising from the acquisition of property and equipment (subject to offsetting in 48 months); requests for refund of ICMS, which was paid under invoices that were cancelled subsequently; for the rendering of services; tax substitution; and tax rate difference; among others. Non-current consolidated amounts include credits arising from the acquisition of property and equipment of R\$347,102 and R\$370,770 on June 30, 2017 and December 31, 2016, respectively.

(2) This refers to prepayments of income tax and social contribution, which will be offset against federal taxes to be determined in the future.

(3) This refers to credits on withholding income tax (IRRF) on short-term investments, interest on equity and others, which are used as deductions in operations for the period and social contribution tax withheld at source on services provided to public agencies.

b) Deferred taxes

Deferred income tax and social contribution assets are computed considering expected generation of taxable profit, which were based on a technical feasibility study, approved by the Board of Directors.

Significant components of deferred income tax and social contribution are as follows:

	Company							
	Balances at 12/31/15	Income statement	Comprehensive income	Merger (note 1d)	Balances at 06/30/16	Income statement	Comprehensive income	Other
<u>Deferred tax assets (liabilities)</u>								
Income and social contribution taxes on tax losses (1)	-	-	-	-	-	1,376	-	-
Income and social contribution taxes on temporary differences (2)	(155,951)	(97,976)	5,932	705,367	457,372	(618,793)	72,866	(1,516)
Provisions for legal, labor, tax civil and regulatory contingencies	1,681,016	127,109	-	282,751	2,090,876	130,179	-	-
Trade accounts payable and other provisions	535,001	42,170	-	66,455	643,626	(35,468)	-	-
Customer portfolio and trademarks	256,056	(28,173)	-	119,695	347,578	(34,487)	-	-
Estimated losses on impairment of accounts	369,174	60,691	-	54,645	484,510	(142,975)	-	-

receivable								
Estimated losses from modems and other P&E items	170,132	(5,572)	-	122,696	287,256	(4,989)		-
Pension plans and other post-employment benefits	26,164	3,788	-	-	29,952	(2,008)		80,459
Profit sharing	88,944	18,160	-	3,963	111,067	12,844		-
Provision for loyalty program	32,604	(14,204)	-	-	18,400	712		-
Accelerated accounting depreciation	10,865	(1,875)	-	-	8,990	15,043		-
Estimated impairment losses on inventories	9,364	(14,051)	-	13,620	8,933	2,294		-
Derivative transactions	47,911	24,222	5,874	10,523	88,530	(21,331)		(7,507)
Licenses	(1,204,226)	(108,165)	-	-	(1,312,391)	(108,165)		-
Effects of goodwill generated in the merger of Vivo Part.	(809,600)	(30,484)	-	-	(840,084)	(24,236)		-
Goodwill from Spanish and Navytree	(337,535)	-	-	-	(337,535)	-		-
Goodwill from Vivo Part.	(837,918)	(83,603)	-	-	(921,521)	(83,599)		-
Goodwill from GVT Part.	-	(174,076)	-	-	(174,076)	(348,152)		-
Technological Innovation Law	(193,146)	30,097	-	-	(163,049)	22,109		-
Income and social contribution taxes on other temporary differences (3)	(757)	55,990	58	31,019	86,310	3,436		(86) (1,516)
Total	(155,951)	(97,976)	5,932	705,367	457,372	(617,417)		72,866 (1,516)
Deferred tax assets	3,535,671				4,538,494			
Deferred tax liabilities	(3,691,622)				(4,081,122)			
Deferred tax assets (liabilities), net	(155,951)				457,372			

**Represented in
the balance
sheet as
follows:**

**Deferred tax
assets**

-

457,372

**Deferred tax
liabilities**

(155,951)

-

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Telefônica Brasil S. A.**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS****Three and six-month period ended June 30, 2017****(In thousands of *Reais*, unless otherwise stated)**

	Balances at 12/31/15	Income statement	Comprehensive income	Balances at 06/30/16	Income statement	Consolidated Comprehensive income	Other	Balances at 12/31/16	Income statement
<u>Deferred tax assets (liabilities)</u>									
Income and social contribution taxes on tax losses (1)	26,519	(12,019)	-	14,500	(429)	-	-	14,071	3,462
Income and social contribution taxes on temporary differences (2)	685,071	(95,915)	5,932	595,088	(653,054)	72,908	(1,516)	13,426	(478,466)
Provisions for legal, labor, tax civil and regulatory contingencies	1,954,236	152,469	-	2,106,705	123,631	-	-	2,230,336	97,335
Trade accounts payable and other provisions	687,124	30,877	-	718,001	(40,878)	-	-	677,123	37,023
Estimated losses on impairment of accounts receivable	447,018	65,456	-	512,474	(153,669)	-	-	358,805	53,159
Customer portfolio and trademarks	343,107	4,471	-	347,578	(34,486)	-	-	313,092	(27,001)
Estimated losses from modems and other P&E items	294,945	(14,993)	-	279,952	4,725	-	-	284,677	(71,300)

Pension plans and other post-employment benefits	26,285	3,680	-	29,965	(2,047)	80,501	-	108,419	7,934
Profit sharing	106,198	5,950	-	112,148	13,108	-	-	125,256	(35,200)
Provision for loyalty program	32,604	(14,204)	-	18,400	712	-	-	19,112	2,288
Accelerated accounting depreciation	10,865	(1,875)	-	8,990	15,043	-	-	24,033	(3,045)
Estimated impairment losses on inventories	10,707	(182)	-	10,525	1,574	-	-	12,099	(2,572)
Derivative transactions	59,408	22,729	5,874	88,011	(20,371)	(7,507)	-	60,133	14,647
Licenses	(1,204,226)	(108,165)	-	(1,312,391)	(108,165)	-	-	(1,420,556)	(108,165)
Effects of goodwill generated in the acquisition of Vivo Part.	(809,600)	(30,484)	-	(840,084)	(24,236)	-	-	(864,320)	(5,400)
Goodwill from Spanish and Navytree	(337,535)	-	-	(337,535)	-	-	-	(337,535)	-
Goodwill from Vivo Part.	(837,918)	(83,603)	-	(921,521)	(83,599)	-	-	(1,005,120)	(83,603)
Goodwill from GVTPart.	-	(174,076)	-	(174,076)	(348,152)	-	-	(522,228)	(348,152)
Technological Innovation Law	(193,146)	30,097	-	(163,049)	22,109	-	-	(140,940)	27,188
Income and social contribution taxes on other temporary differences (3)	94,999	15,938	58	110,995	(18,353)	(86)	(1,516)	91,040	(36,700)
Total deferred tax assets (liabilities), noncurrent	711,590	(107,934)	5,932	609,588	(653,483)	72,908	(1,516)	27,497	(475,300)
Deferred tax assets	4,153,054			4,431,710				4,541,952	
Deferred tax liabilities	(3,441,464)			(3,822,122)				(4,514,455)	
Deferred tax assets (liabilities), net	711,590			609,588				27,497	

Represented in the balance sheet as follows:

Deferred tax assets	711,590	609,588	27,497
Deferred tax liabilities	-	-	-

(1) This refers to the amounts recorded which, in accordance with Brazilian tax legislation, may be offset to the limit of 30% of the tax bases computed for the following years, with no expiry date.

(2) This refers to amounts that will be realized upon payment of provisions, effective impairment losses for trade accounts receivable, or realization of inventories, as well as upon reversal of other provisions.

(3) These refer to deferred taxes arising from other temporary differences, such as deferred income, renewal of licenses, subsidy on the sale of mobile phones, among others.

At June 30, 2017, deferred tax credits (income tax and social contribution losses) were not recognized in indirect subsidiary (Innoweb) accounting records, in the amount of R\$5,286 (R\$2,993 at December 31, 2016), as it is not probable that future taxable profits will be available to use them.

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Telefônica Brasil S. A.**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS****Three and six-month period ended June 30, 2017****(In thousands of *Reais*, unless otherwise stated)****7) JUDICIAL DEPOSITS AND GARNISHMENTS**

In some situations, in connection with a legal requirement or presentation of guarantees, judicial deposits are made to secure the continuance of the claims under discussion. These judicial deposits may be required for claims where the likelihood of loss was analyzed by the Company and its subsidiaries, grounded on the opinion of its legal advisors as a probable, possible or remote loss.

	Company		Consolidated	
	06/30/17	12/31/16	06/30/17	12/31/16
Judicial deposits				
Tax	3,956,627	3,698,966	4,018,537	3,758,787
Labor	998,502	1,040,635	1,010,212	1,051,430
Civil	1,161,697	1,107,929	1,162,372	1,109,001
Regulatory	212,150	276,604	212,150	276,604
Total	6,328,976	6,124,134	6,403,271	6,195,822
Garnishments	171,994	152,948	174,937	155,744
Total	6,500,970	6,277,082	6,578,208	6,351,566
Current	317,429	302,349	317,545	302,424
Non-current	6,183,541	5,974,733	6,260,663	6,049,142

The information related to tax-related judicial deposits is the same as in Note 9) Judicial Deposits and Garnishments, as disclosed in the financial statements for the year ended December 31, 2016.

On June 30, 2017, the Company and its subsidiaries had several tax-related judicial deposits in the consolidated amount of R\$4,018,537 (R\$3,758,787 at December 31, 2016). In Note 17, we provide further details on issues arising from the most significant judicial deposits.

The table below presents the composition of the balances as of June 30, 2017 and December 31, 2016 of the tax judicial deposits (segregated and summarized by tribute).

	Consolidated	
	06/30/17	12/31/16
Contribution tax on gross revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)	36,388	35,570
Social Contribution Tax for Intervention in the Economic Order (CIDE)	181,992	176,557
Telecommunications Inspection Fund (FISTEL)	1,129,775	1,095,789
Withholding Income Tax (IRRF)	76,144	73,848
Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL)	469,287	449,988
Contribution to Empresa Brasil de Comunicação (EBC)	1,199,665	1,053,867
Social Security, work accident insurance (SAT) and funds to third parties (INSS)	131,951	128,458
Universal Telecommunication Services Fund (FUST)	474,181	456,977
State Value-Added Tax (ICMS)	242,828	212,652
Other taxes, charges and contributions	76,326	75,081
Total	4,018,537	3,758,787

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NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Three and six-month period ended June 30, 2017

(In thousands of *Reais*, unless otherwise stated)

8) PREPAID EXPENSES

	Company		Consolidated	
	06/30/17	12/31/16	06/30/17	12/31/16
Fistel Fee (1)	535,074	-	535,074	-
Advertising and publicity	144,963	258,212	144,963	258,212
Insurance	27,819	39,008	28,177	39,558
Rental	24,704	19,276	24,704	19,276
Software and networks maintenance	61,201	10,204	69,219	12,283
Taxes, financial charges, personal and other (2)	102,188	45,148	112,751	50,193
Total	895,949	371,848	914,888	379,522
Current	868,188	336,508	882,434	343,092
Non-current	27,761	35,340	32,454	36,430

(1) Refers to the remaining portion of the Inspection and Operation Fee amounts paid in March 2017, based on the 2016 fiscal year, which will be amortized to the result until the end of the year.

(2) At June 30, 2017, the consolidated amount includes R\$58,184 related to IPTU and the renewal of SMP and STFC licenses, which will be amortized to the result until the end of the year.

9) OTHER ASSETS

	Company		Consolidated	
	06/30/17	12/31/16	06/30/17	12/31/16
Advances to employees and suppliers	142,723	81,325	145,331	83,634
Related-party receivables (Note 27)	209,521	311,633	157,393	250,679
Receivables from suppliers	159,927	96,065	159,927	99,166
Subsidy on handset sales	17,475	30,491	17,475	30,491
Surplus from post-employment benefit plans (Note 29)	9,240	8,838	9,453	9,041
Other amounts receivable	25,132	20,391	28,596	22,649
Total	564,018	548,743	518,175	495,660
Current	488,109	495,380	439,766	440,095
Non-current	75,909	53,363	78,409	55,565

10) INVESTMENTS**a) Information on investees**

The information related to subsidiaries and jointly-controlled entities is the same as in Note 12) Investments, as disclosed in the financial statements for the year ended December 31, 2016.

Below is a summary of significant financial data on the Company's investees:

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Telefônica Brasil S. A.**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS****Three and six-month period ended June 30, 2017****(In thousands of *Reais*, unless otherwise stated)**

	At 06/30/17					At 12/31/16				
	Wholly-owned subsidiaries		Jointly-controlled subsidiaries			Wholly-owned subsidiaries		Jointly-controlled subsidiaries		
	TData	POP	ACT	Cia AIX	Aliança	TData	POP	ACT	Cia AIX	Aliança
Capital	100.00%	100.00%	50.00%	50.00%	50.00%	100.00%	100.00%	50.00%	50.00%	50.00%
Summary of balance sheets:										
Current assets	1,802,815	30,821	16	23,437	159,474	1,414,039	27,407	15	20,333	12,877
Non-current assets	359,079	52,328	-	12,070	-	362,195	52,016	-	12,877	-
Total assets	2,161,894	83,149	16	35,507	159,474	1,776,234	79,423	15	33,210	12,877
Current liabilities	964,335	49,222	2	4,426	168	633,631	49,535	1	4,020	168
Non-current liabilities	83,177	109	-	4,637	-	63,139	-	-	5,410	-
Equity	1,114,382	33,818	14	26,444	159,306	1,079,464	29,888	14	23,770	159,306
Total liabilities and equity	2,161,894	83,149	16	35,507	159,474	1,776,234	79,423	15	33,210	12,877
Investment Book value	1,114,382	33,818	7	13,222	79,653	1,079,464	29,888	7	11,888	79,653

	At 06/30/17					At 06/30/16				
	Wholly-owned subsidiaries		Jointly-controlled subsidiaries			Wholly-owned subsidiaries				
	TData	POP	ACT	Cia AIX	Aliança	TData	POP	GVTPart.	(1)	(1)
Summary of Income Statements:										
Net operating income	1,237,179	14,820	41	22,670	-	1,253,426	14,642	1,531,692	(1)	(1)
Operating costs and expenses	(636,244)	(8,939)	(41)	(20,196)	14	(716,734)	(7,663)	(1,300,347)	(1)	(1)
Financial income (expenses), net	38,918	777	-	689	12	41,888	740	(41,146)	(1)	(1)
Income and social contribution taxes	(220,348)	(2,728)	-	(491)	-	(198,080)	(3,163)	(57,958)	(1)	(1)
Net income (loss) for the period	419,505	3,930	-	2,672	26	380,500	4,556	132,241	(1)	(1)

Equity pickup, according to interest held	419,505	3,930	-	1,336	13	380,500	4,556	132,241
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(1) Includes the consolidated results of GVTPart. for the period from 01/01 to 03/31/16.

(2) Includes the consolidated result of POP for the period from 04/01 to 06/30/16. Until 03/31/16, POP was indirectly controlled by GVTPart.

b) Changes in investments

	Wholly-owned subsidiaries			Jointly-controlled subsidiaries			Goodwill (1)	Surplus value of net assets acquired (note 1c)	Other investments (2)
	TData	POP	GVTPart.	Aliança	AIX	ACT			
Balances at 12/31/15	1,056,305	-	7,674,444	89,799	10,099	4	13,049,199	2,461,583	1,25
Equity pick-up	380,500	4,556	132,241	(23)	746	1	-	(67,641)	
Merger (nota 1d)	-	22,590	(7,806,685)	-	-	-	(12,837,141)	(2,393,942)	
Dividends and interest on equity	(389,395)	-	-	-	489	-	-	-	
Other comprehensive income	-	-	-	(14,522)	-	-	-	-	(172)
Balances at 06/30/16	1,047,410	27,146	-	75,254	11,334	5	212,058	-	1,08
Equity pick-up	392,134	2,742	-	(34)	552	2	-	-	
Dividends and interest on equity	(360,000)	-	-	-	-	-	-	-	
Other comprehensive income	(80)	-	-	(2,710)	-	-	-	-	25
Balances at 12/31/16	1,079,464	29,888	-	72,510	11,886	7	212,058	-	1,34
Equity pick-up	419,505	3,930	-	13	1,336	-	-	-	
Dividends and interest on equity	(384,588)	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	7,130	-	-	-	-	33
Balances at 06/30/17	1,114,381	33,818	-	79,653	13,222	7	212,058	-	1,67

(1) Goodwill: (i) R\$212,058 from partial spin-off of "Spanish and Figueira", which was reversed to the Company upon merger with Telefônica Data Brasil Holding S.A. (TDBH) in 2006; and (ii) R\$12,837,141

originated from the acquisition of GVTPart. in 2015 (Note 1c).

(2) Other investments (tax incentives and interest held in companies) are measured at fair value.

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Telefônica Brasil S. A.**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS****Three and six-month period ended June 30, 2017****(In thousands of *Reais*, unless otherwise stated)****11) PROPERTY, PLANT AND EQUIPMENT, NET****a) Breakdown and changes**

	Company							Assets and facilities under construction
	Switching equipment	Transmission equipment and media	Terminal equipment / modems	Infrastructure	Land	Other P&E	Estimated losses (1)	
Balances and changes:								
Balance at 12/31/15	2,796,041	11,680,029	1,530,793	3,371,532	313,105	711,085	(155,277)	1,771,768
Additions	1,364	109,376	47,429	24,299	-	106,193	(6,285)	2,009,507
Write-offs, net (2)	(1,159)	(11,105)	(70)	(98,702)	(201)	(339)	-	(11,897)
Net transfers	277,728	1,171,427	361,749	197,711	-	(51,219)	-	(2,018,633)
Depreciation (Note 23)	(302,642)	(981,717)	(570,924)	(250,582)	-	(132,562)	-	-
Merger (Note 1d)	1,039,161	5,269,872	1,572,567	428,622	2,601	159,039	(331,956)	221,157
Balance at 06/30/16	3,810,493	17,237,882	2,941,544	3,672,880	315,505	792,197	(493,518)	1,971,902
Additions	-	244,551	41,224	132,802	215	197,983	(13,573)	3,511,679
Write-offs, net	-	(8,183)	(397)	(177)	(1)	(412)	21,708	(24,591)
Net transfers	365,426	1,878,760	331,618	164,194	-	12,981	(3)	(2,758,120)

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Depreciation	(223,436)	(1,073,868)	(732,810)	(254,205)	-	(224,701)	-	-
Balance at								
12/31/16	3,952,483	18,279,142	2,581,179	3,715,494	315,719	778,048	(485,386)	2,700,870
Additions	-	17,364	58,206	27,967	-	99,960	(30,317)	2,329,641
Write-offs, net	(569)	(69,798)	(131)	(6,479)	(1,914)	(630)	67,880	(12,984)
Net transfers	539,699	1,199,919	670,603	308,961	-	2,329	132,578	(2,836,657)
Depreciation (Note 23)	(302,020)	(1,227,511)	(640,994)	(270,637)	-	(160,817)	-	-
Balance at								
06/30/17	4,189,593	18,199,116	2,668,863	3,775,306	313,805	718,890	(315,245)	2,180,870
At 12/31/16								
Cost	20,051,571	50,730,016	15,246,317	14,944,006	315,719	4,181,817	(485,386)	2,700,870
Accumulated depreciation	(16,099,088)	(32,450,874)	(12,665,138)	(11,228,512)	-	(3,403,769)	-	-
Total	3,952,483	18,279,142	2,581,179	3,715,494	315,719	778,048	(485,386)	2,700,870
At 06/30/17								
Cost	20,613,165	51,677,722	15,967,057	15,257,478	313,805	4,273,358	(315,245)	2,180,870
Accumulated depreciation	(16,423,572)	(33,478,606)	(13,298,194)	(11,482,172)	-	(3,554,468)	-	-
Total	4,189,593	18,199,116	2,668,863	3,775,306	313,805	718,890	(315,245)	2,180,870

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Telefônica Brasil S. A.**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS****Three and six-month period ended June 30, 2017****(In thousands of *Reais*, unless otherwise stated)**

	Consolidated							Assets and facilities under construction
	Switching equipment	Transmission equipment and media	Terminal equipment / modems	Infrastructure	Land	Other P&E	Estimated losses (1)	
Balances and changes:								
Balance at 12/31/15	3,958,959	16,977,004	3,146,109	3,655,951	315,705	1,066,452	(494,149)	1,850,734
Additions	16,135	373,912	162,396	25,916	-	49,719	(6,369)	2,037,953
Write-offs, net (2)	(2,792)	(13,261)	(419)	(95,787)	(201)	-	6,821	(12,630)
Net transfers	196,652	1,032,493	345,955	356,754	-	(169,532)	-	(1,867,024)
Depreciation (Note 23)	(358,312)	(1,132,146)	(702,789)	(258,668)	-	(148,048)	-	-
Balance at 06/30/16	3,810,642	17,238,002	2,951,252	3,684,166	315,504	798,591	(493,697)	2,009,033
Additions	38	244,550	41,379	133,165	215	238,947	(13,593)	3,505,445
Write-offs, net	(1)	(8,182)	(397)	(3,650)	-	3,059	21,718	(26,329)
Net transfers	365,426	1,878,761	331,617	167,241	-	9,830	(3)	(2,758,119)
Depreciation (Note 23)	(223,465)	(1,073,897)	(735,544)	(255,715)	-	(231,071)	-	-
Balance at 12/31/16	3,952,640	18,279,234	2,588,307	3,725,207	315,719	819,356	(485,575)	2,730,030
Additions	-	17,364	58,206	27,967	-	105,939	(30,399)	2,330,383
Write-offs, net	(569)	(69,798)	(131)	(6,754)	(1,914)	(581)	67,960	(13,538)
Net transfers	539,699	1,199,919	670,603	308,961	-	20,964	132,578	(2,855,292)
Depreciation (Note 23)	(302,050)	(1,227,538)	(642,590)	(272,092)	-	(171,101)	-	-
	4,189,720	18,199,181	2,674,395	3,783,289	313,805	774,577	(315,436)	2,191,583

**Balance at
06/30/17**

At 12.31.16

Cost	20,058,838	50,730,696	15,294,619	15,023,890	315,719	4,308,718	(485,575)	2,730,030
Accumulated depreciation	(16,106,198)	(32,451,462)	(12,706,312)	(11,298,683)	-	(3,489,362)	-	-
Total	3,952,640	18,279,234	2,588,307	3,725,207	315,719	819,356	(485,575)	2,730,030

At 06/30/17

Cost	20,620,433	51,678,402	16,015,356	15,336,721	313,805	4,423,555	(315,436)	2,191,583
Accumulated depreciation	(16,430,713)	(33,479,221)	(13,340,961)	(11,553,432)	-	(3,648,978)	-	-
Total	4,189,720	18,199,181	2,674,395	3,783,289	313,805	774,577	(315,436)	2,191,583

(1) The Company and its subsidiaries recognized estimated losses for potential obsolescence of materials used in property and equipment maintenance, based on levels of historical use and expected future use.

(2) Net write-offs regarding "Infrastructure and Assets and Facilities under Construction" for the period ended June 30, 2017, include the amount of R\$99,210 regarding the disposal of 1,655 towers owned by the Company to Telxius Torres Brasil Ltda., a Telefónica subsidiary.

b) Depreciation rates

In the last quarter of 2016, in accordance with IAS 16 / CPC 27, the Company performed, in conjunction with a specialized company, valuations of useful lives applied to its property, plant and equipment using the direct comparative method of market data. The studies indicated the need for changes in useful life and annual depreciation rates for some items of asset classes.

The following table sets forth the depreciation rates of property, plant and equipment of the Company and its subsidiaries, which are depreciated on a straight-line basis at the annual rate, as follows:

Description	Annual depreciation rate (%)			
	Company	Revised / Current	Consolidated	Revised / Current
Switching equipment	Previous 10.00 to 14.29	5.00 to 14.29	Previous 8.33 to 20.00	Revised / Current 5.00 to 20.00
Transmission equipment and media	5.00 to 14.29	2.50 to 25.00	2.50 to 25.00	2.50 to 25.00

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Terminal equipment / modems	10.00 to 66.67	6.67 to 66.67	10.00 to 66.67	6.67 to 66.67
Infrastructure	2.50 to 66.67	2.50 to 66.67	2.50 to 66.67	2.50 to 66.67
Other P&E assets	10.00 to 25.00	10.00 to 25.00	10.00 to 66.67	10.00 to 25.00

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NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Three and six-month period ended June 30, 2017

(In thousands of *Reais*, unless otherwise stated)

c) Property and equipment items pledged in guarantee

At June 30, 2017, the Company had consolidated amounts of property and equipment items pledged in guarantee for lawsuits, amounting to R\$172,658 (R\$203,600 at December 31, 2016).

d) Capitalization of borrowing costs

At June 30, 2017 and December 31, 2016, the Company and its subsidiaries did not capitalize borrowing costs, as there were no qualifying assets.

e) Reversible assets

The STFC service concession arrangement establishes that all assets owned by the Company and that are indispensable to the provision of the services described in the referred to arrangement are considered “reversible” (returnable to the concession authority). At June 30, 2017, estimated residual value of reversible assets was R\$8,868,251 (R\$8,813,916 at December 31, 2016), which comprised switching and transmission equipment and public use terminals, external network equipment, energy, system and operational support equipment.

f) Finance leases

Below are the amounts related to finance lease arrangements, in which the Company is a lessee, segregated by type of property and equipment item.

	Annual depreciation rates (%)	P&E Cost	06.30.17	Consolidated		12.31.16	Net balance
			Accumulated depreciation	Net balance	P&E Cost	Accumulated depreciation	
Transmission equipment and media	5.00% to 8.33%	252,233	(45,377)	206,856	223,360	(34,203)	189,157
Infrastructure	4.00%	68,382	(11,499)	56,883	67,386	(8,822)	58,564
Other assets	20.00%	116,945	(94,399)	22,546	145,818	(94,935)	50,883
Total		437,560	(151,275)	286,285	436,564	(137,960)	298,604

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NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Three and six-month period ended June 30, 2017

(In thousands of *Reais*, unless otherwise stated)

12) INTANGIBLE ASSETS, NET

a) Breakdown, changes and amortization rates

	Company								
	Indefinite useful life		Finite useful life						
			Customer portfolio	Trademarks	Licenses	Other intangible assets	Estimated losses for software	Software under development	Total
	Goodwill	Software							
<u>Annual amortization rate (%)</u>	-	20.00	11.76	5.13	3.60 to 6.67	20.00	-		