

TELEFONICA BRASIL S.A.  
Form 6-K  
August 06, 2015

**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 August, 2015**

**Commission File Number: 001-14475**

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**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° Luís Carlos Berrini, 1376 - 28° andar**  
**São Paulo, S.P.**  
**Federative Republic of Brazil**  
**(Address of principal executive office)**

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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

**A free translation from Portuguese into English of Independent Auditor's Report on quarterly financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)**

## **Independent auditor's report on interim financial statements**

The Shareholders, Board of Directors and Officers

**Telefônica Brasil S.A.**

São Paulo - SP

We have reviewed the individual and consolidated interim financial information of Telefônica Brasil S.A., ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2015, which comprise the balance sheet as at June 30, 2015 and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the three-month and six-month period then ended, including other explanatory information.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) and with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of 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 Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial 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 auditing standards and consequently does 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 individual and consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the Quarterly Information Form (ITR) referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

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## **Other matters**

### **Statements of value added**

We have also reviewed the individual and consolidated interim statements of value added (SVA) for the six-month period ended June 30, 2015, prepared under management's responsibility, whose presentation in the interim financial information is required by rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information (ITR), and as supplementary information under IFRS, which do not require SVA presentation. This statement has been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that it is not fairly presented fairly, in all material respects, in relation to the overall accompanying interim financial information.

### **Audit of the balance sheet as of December 31, 2014 and review of the interim statements of income, of comprehensive income, of changes in equity, of cash flows and of value added for the three-month and six-month period ended June 30, 2014**

The balance sheet as of December 31, 2014, presented for comparison purposes, was previously audited by other independent auditors, who issued an unmodified report dated February 12, 2015. In addition, the interim statements of income, of comprehensive income, of changes in equity, of cash flows and of value added for the three-month and six-month period ended June 30, 2014, presented for comparison purposes, were reviewed by other independent auditors, who issued an unmodified report dated July 29, 2014.

São Paulo, July 27, 2015.

ERNST & YOUNG

Auditores Independentes S.S.

CRC-2SP015199/O-6

Luiz Carlos Passetti

Héctor Ezequiel Rodríguez Padilla

Accountant CRC-1SP144343/O-3

Accountant CRC-1SP299427/O-9

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**TELEFÔNICA BRASIL S. A.**  
**Balance Sheets**  
**At June 30, 2015 and December 31, 2014**  
**(In thousands of reais)**

ASSETS	Note	Company		Consolidated		LIABILITIES
		06.30.15	12.31.14	06.30.15	12.31.14	
<b>Current assets</b>		<b>17,212,547</b>	<b>14,754,381</b>	<b>19,479,711</b>	<b>15,517,368</b>	<b>Current liabilities</b>
Cash and cash equivalents	4	6,391,227	3,835,304	7,094,667	4,692,689	Personnel, salaries
Trade accounts receivable, net	5	6,577,250	6,470,764	8,001,965	6,724,061	Trade accounts payable
Inventories	6	629,958	458,488	680,396	479,801	Taxes, charges and contributions
Dividends and interest on equity	17	-	174,726	-	-	Dividends and interest on equity
Prepaid expenses	9	863,390	300,567	921,899	303,551	Provisions and allowances
Taxes recoverable	7.1	1,972,676	2,163,404	2,171,259	2,202,662	Deferred income taxes
Judicial deposits and garnishments	8	211,908	202,169	211,908	202,169	Loans, financial instruments and contingent contracts
Derivative transactions	33	41,398	613,939	41,398	613,939	Debentures
Other assets	10	524,740	535,020	356,219	298,496	Derivative transactions and other liabilities
<b>Noncurrent assets</b>		<b>78,575,004</b>	<b>58,382,747</b>	<b>82,587,446</b>	<b>57,547,920</b>	<b>Noncurrent liabilities</b>
Short-term investments pledged as collateral		88,642	125,343	97,721	125,353	Personnel, salaries
Trade accounts receivable, net	5	204,525	190,288	313,012	299,405	Taxes, charges and contributions
Taxes recoverable	7.1	346,841	340,205	410,624	340,205	Provisions and allowances
Deferred taxes	7.2	92,258	40,704	505,486	144,817	Deferred income taxes
Prepaid expenses	9	17,280	24,346	18,950	26,223	Loans, financial instruments and contingent contracts
Judicial deposits and garnishments	8	4,754,642	4,514,783	5,344,200	4,543,056	Debentures
Derivative transactions	33	222,042	152,843	222,042	152,843	Derivative transactions and other liabilities
Other assets	10	60,500	94,703	67,835	94,925	Post-retirement benefits
<b>Investments</b>	11	<b>21,366,942</b>	<b>1,445,014</b>	<b>84,904</b>	<b>79,805</b>	Other liabilities
<b>Property and equipment, net</b>	12	<b>20,941,202</b>	<b>20,381,731</b>	<b>30,073,795</b>	<b>20,453,864</b>	
<b>Intangible assets, net</b>	13	<b>30,480,130</b>	<b>31,072,787</b>	<b>45,448,877</b>	<b>31,287,424</b>	
						<b>Equity</b>
						Capital
						Premium on noncontrolling interests
						Capital reserves
						Income reserves
						Retained earnings
						Additional dividends
						Other components
<b>TOTAL ASSETS</b>		<b>95,787,551</b>	<b>73,137,128</b>	<b>102,067,157</b>	<b>73,065,288</b>	<b>TOTAL LIABILITIES AND EQUITY</b>





**TELEFÔNICA BRASIL S. A.****Income Statements****For the three- and six-month periods ended June 30, 2015 and 2014****(In thousands of reais)**

	Note	Company				Three-m e
		Three-month periods ended		Six-month periods ended		
		06.30.15	06.30.14	06.30.15	06.30.14	06.30.1
<b>Operating revenue, net</b>	23	<b>8,414,876</b>	<b>8,124,243</b>	<b>16,836,157</b>	<b>16,318,292</b>	<b>9,962,12</b>
Cost of sales and services	24	(4,303,895)	(3,886,561)	(8,592,857)	(8,081,761)	(5,068,44
<b>Gross profit</b>		<b>4,110,981</b>	<b>4,237,682</b>	<b>8,243,300</b>	<b>8,236,531</b>	<b>4,893,67</b>
<b>Operating income (expenses)</b>		<b>(3,269,175)</b>	<b>(3,125,574)</b>	<b>(6,517,559)</b>	<b>(6,207,291)</b>	<b>(3,639,50</b>
Selling expenses	24	(2,686,978)	(2,554,420)	(5,369,141)	(5,037,917)	(2,973,59
General and administrative expenses	24	(456,692)	(441,710)	(877,733)	(929,161)	(531,43
Other operating income	25	130,938	110,656	243,712	224,832	146,63
Other operating expenses	25	(256,443)	(240,100)	(514,397)	(465,045)	(281,11
<b>Operating income</b>		<b>841,806</b>	<b>1,112,108</b>	<b>1,725,741</b>	<b>2,029,240</b>	<b>1,254,16</b>
Financial income	26	431,809	173,706	678,143	402,543	456,01
Financial expenses	26	(376,404)	(310,005)	(870,694)	(643,774)	(627,53
Equity pickup	11	123,002	177,918	327,452	323,353	44
<b>Income before taxes</b>		<b>1,020,213</b>	<b>1,153,727</b>	<b>1,860,642</b>	<b>2,111,362</b>	<b>1,083,08</b>
Income and social contribution taxes	27	(150,397)	838,926	(411,107)	542,061	(213,26
<b>Net income for the period</b>		<b>869,816</b>	<b>1,992,653</b>	<b>1,449,535</b>	<b>2,653,423</b>	<b>869,81</b>
<b>Basic and diluted earnings per share (in R\$)</b>						
Common shares	28	0.56	1.66	1.05	2.22	
Preferred shares	28	0.62	1.83	1.16	2.44	

**TELEFÔNICA BRASIL S.A.**  
**Statements of Changes in Equity**  
**For the six-month periods ended June 30, 2015 and 2014**  
**(In thousands of reais)**

	Capital	Premium on acquisition of noncontrolling interest	Special goodwill reserve	Capital reserve
<b>Balances at December 31, 2013</b>	<b>37,798,110</b>	<b>(70,448)</b>	<b>63,074</b>	<b>2,735</b>
Additional dividend proposed for year 2013	-	-	-	-
Unclaimed dividends and interest on equity	-	-	-	-
Other comprehensive income	-	-	-	-
Net income for the period	-	-	-	-
<b>Balances at June 30, 2014</b>	<b>37,798,110</b>	<b>(70,448)</b>	<b>63,074</b>	<b>2,735</b>
Dividendo adicional proposto do exercício de 2013	-	-	-	-
Unclaimed dividends and interest on equity	-	-	-	-
Corporate Income Tax Return (DIPJ) adjustments – Tax incentives	-	-	-	-
Other comprehensive income	-	-	-	-
Net income for the period	-	-	-	-
Allocation of income:				
Legal reserve	-	-	-	-
Interim interest on equity	-	-	-	-
Additional dividend proposed	-	-	-	-
<b>Balances at December 31, 2014</b>	<b>37,798,110</b>	<b>(70,448)</b>	<b>63,074</b>	<b>2,735</b>
Additional dividend proposed for year 2014	-	-	-	-
Unclaimed dividends and interest on equity	-	-	-	-
Corporate Income Tax Return (DIPJ) adjustments – Tax incentives	-	-	-	-
Cancellation of treasury stock, according to the Special Shareholders' Meeting of 03/12/15	-	-	-	(112,000)
Capital increase – Special Shareholders' Meeting of 04/28/15	15,812,000	-	-	-
Direct costs on capital increase (net of taxes) according to the Special Shareholders Meeting of 04/28/2015	-	-	-	(62,000)
Capital increase – Special Shareholders' Meeting of 04/30/15	295,285	-	-	-
Direct costs on capital increase (net of taxes) according to the Special Shareholders Meeting of 04/30/2015	-	-	-	(3,000)
Capital increase – Merger of GVTPart shares – Special Shareholders' Meeting of 05/28/15	9,666,021	-	-	(1,188,000)
Dissenters' right – Acquisition of GVTPart.	-	-	-	-
Other comprehensive income	-	-	-	-

Net income for the period	-	-	-
Interim interest on equity	-	-	-
Interim dividends	-	-	-
<b>Balances at June 30, 2015</b>	<b>63,571,416</b>	<b>(70,448)</b>	<b>63,074</b>
<b>Outstanding shares (in thousands)</b>			<b>1,368</b>
<b>VPA – Equity value of Company’s shares (in R\$)</b>			

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**TELEFÔNICA BRASIL S. A.**  
**Statements of Comprehensive Income**  
**For the three- and six-month periods ended June 30, 2015 and 2014**  
**(In thousands of reais)**

	<b>Company</b>			
	<b>Three-month periods ended</b>		<b>Six-month periods ended</b>	
	<b>06.30.15</b>	<b>06.30.14</b>	<b>06.30.15</b>	<b>06.30.14</b>
<b>Net income for the year</b>	<b>869,816</b>	<b>1,992,653</b>	<b>1,449,535</b>	<b>2,653,423</b>
Unrealized losses on investments available for sale	206	(3,276)	(783)	(4,571)
Taxes	(70)	1,114	266	1,554
	136	(2,162)	(517)	(3,017)
Gains from derivative transactions	(942,708)	(438)	(337,175)	1,594
Taxes	320,521	149	114,640	(542)
	(622,187)	(289)	(222,535)	1,052
Cumulative translation adjustments – transactions in foreign currency	423	(2,366)	5,210	(5,129)
<b>Other net comprehensive income to be reclassified into income in subsequent periods</b>	<b>(621,628)</b>	<b>(4,817)</b>	<b>(217,842)</b>	<b>(7,094)</b>
Losses on other comprehensive income (loss)	-	-	-	-
Interest in comprehensive income of subsidiaries	(580)	-	(580)	-
<b>Other net comprehensive income to be reclassified into income in subsequent periods</b>	<b>(580)</b>	<b>-</b>	<b>(580)</b>	<b>-</b>
<b>Comprehensive income for the period, net of taxes</b>	<b>247,608</b>	<b>1,987,836</b>	<b>1,231,113</b>	<b>2,646,329</b>

**TELEFÔNICA BRASIL S. A.**  
**Cash Flow Statements**  
**For the six-month periods ended June 30, 2015 and 2014**  
**(In thousands of reais)**

	<b>Company</b>		
	<b>Six-month periods</b>		
	<b>06.30.15</b>	<b>06.30.14</b>	<b>06.30.13</b>
<b>Net cash from operating activities</b>	<b>2,721,001</b>	<b>3,023,664</b>	<b>3,023,664</b>
<b>Expenses (revenue) not representing changes in cash</b>	<b>6,117,360</b>	<b>5,665,939</b>	<b>7,500,000</b>
Income before taxes	1,860,642	2,111,362	2,111,362
Depreciation and amortization	2,810,898	2,622,196	3,023,664
Exchange gains (losses) on loans	(141,854)	40,752	-
Monetary gains (losses)	163,103	37,539	-
Equity pickup	(327,452)	(323,353)	-
Gain (loss) on assets write-off/disposal	21,415	25,958	-
Estimated impairment losses of accounts receivable	543,545	396,685	-
Provision for (reversal of) trade accounts payable	321,637	152,807	-
Estimates impairment losses (write-offs and reversals) of inventories	(15,061)	(11,391)	-
Pension plans and other post-employment benefits	21,594	15,762	-
Provisions for tax, labor, civil and regulatory contingencies	413,793	240,591	-
Interest expenses	415,468	342,533	-
Other	29,632	14,498	-
<b>Changes in operating assets and liabilities:</b>	<b>(3,396,359)</b>	<b>(2,642,275)</b>	<b>(3,900,000)</b>
Trade accounts receivable	(664,268)	(836,955)	(700,000)
Inventories	(156,409)	(9,069)	(100,000)
Taxes recoverable	(100,492)	41,344	(100,000)
Prepaid expenses	(446,092)	(412,834)	(400,000)
Other current assets	6,998	(243,376)	-
Other noncurrent assets	(131,989)	9,966	(100,000)
Personnel, social charges and benefits	(141,562)	10,155	(100,000)
Trade accounts payable	(277,052)	(250,889)	(300,000)
Taxes, charges and contributions	(186,651)	98,570	(100,000)
Interest paid	(402,210)	(378,298)	(400,000)
Income and social contribution taxes paid	-	(415,724)	(100,000)
Other current liabilities	(655,362)	(191,195)	(700,000)
Other noncurrent liabilities	(241,270)	(63,970)	(200,000)
<b>Net cash from investing activities</b>	<b>(13,433,265)</b>	<b>(2,712,345)</b>	<b>(11,300,000)</b>
Acquisition of property and equipment and intangible assets (net of donations)	(3,083,486)	(2,638,508)	(3,200,000)
Cash from sale of property and equipment	6,224	5,887	-
Acquisition of company, net of cash and cash equivalents acquired of R\$399,241	(8,903,954)	-	(8,500,000)
Capital increase in subsidiary	(2,766,694)	-	-
Others	-	-	(100,000)

Redemption (investment) of judicial deposits	(66,953)	(80,864)	(
Dividends and interest on equity received	698,903	1,140	)
Net payment of derivative contracts on acquisition of company	682,695	-	)
<b>Net cash from financing activities</b>	<b>13,268,187</b>	<b>(2,123,879)</b>	<b>10,</b>
Repayment of loans, financing and debentures	(1,266,125)	(433,825)	(4,1
Raising of loans and debentures	12,580	93,884	
Net payment of derivative contracts	337,002	(31,710)	3
Payments referring to grouping of shares	(103)	(145)	
Capital increase	16,107,285	-	16,
Direct costs of capital increase	(80,835)	-	(
Dividends and interest on equity paid	(1,841,617)	(1,752,083)	(1,8
<b>Total cash used in (from) financing activities</b>	<b>13,268,187</b>	<b>(2,123,879)</b>	<b>10,</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,555,923</b>	<b>(1,812,560)</b>	<b>2,</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,835,304</b>	<b>6,311,299</b>	<b>4,</b>
<b>Cash and cash equivalents at end of period</b>	<b>6,391,227</b>	<b>4,498,739</b>	<b>7,</b>
<b>Cash and cash equivalents changes in the period</b>	<b>2,555,923</b>	<b>(1,812,560)</b>	<b>2,</b>

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**TELEFÔNICA BRASIL S. A.**  
**Statements of Value Added**  
**For the six-month periods ended June 30, 2015 and 2014**  
**(In thousands of reais)**

	<b>Company</b>		<b>Consolidated</b>	
	<b>Six-month periods ended</b>			
	<b>06.30.15</b>	<b>06.30.14</b>	<b>06.30.15</b>	<b>06.30.14</b>
<b>Revenues</b>	<b>22,895,400</b>	<b>22,161,113</b>	<b>25,570,351</b>	<b>23,282,986</b>
Sale of goods and services	23,113,873	22,242,223	25,717,327	23,372,651
Other revenues	325,072	315,575	462,236	338,605
Provision for impairment of trade accounts receivable	(543,545)	(396,685)	(609,212)	(428,270)
<b>Inputs acquired from third parties</b>	<b>(8,942,918)</b>	<b>(8,634,019)</b>	<b>(9,941,188)</b>	<b>(9,140,593)</b>
Cost of products, goods and services sold	(4,782,952)	(4,642,720)	(5,585,999)	(5,131,097)
Materials, electric power, third-party services and other	(4,142,841)	(3,974,252)	(4,337,047)	(3,991,573)
Loss/recovery of assets	(17,125)	(17,047)	(18,142)	(17,923)
<b>Gross value added</b>	<b>13,952,482</b>	<b>13,527,094</b>	<b>15,629,163</b>	<b>14,142,393</b>
<b>Withholdings</b>	<b>(2,810,898)</b>	<b>(2,622,196)</b>	<b>(3,099,990)</b>	<b>(2,632,390)</b>
Depreciation and amortization	(2,810,898)	(2,622,196)	(3,099,990)	(2,632,390)
<b>Net value added produced</b>	<b>11,141,584</b>	<b>10,904,898</b>	<b>12,529,173</b>	<b>11,510,003</b>
<b>Value added received in transfer</b>	<b>1,005,595</b>	<b>725,896</b>	<b>711,817</b>	<b>434,159</b>
Equity pickup	327,452	323,353	672	1,459
Financial income	678,143	402,543	711,145	432,700
<b>Total undistributed value added</b>	<b>12,147,179</b>	<b>11,630,794</b>	<b>13,240,990</b>	<b>11,944,162</b>
<b>Distribution of value added</b>	<b>(12,147,179)</b>	<b>(11,630,794)</b>	<b>(13,240,990)</b>	<b>(11,944,162)</b>
Personnel, social charges and benefits	(1,381,041)	(1,285,333)	(1,584,065)	(1,297,013)
Direct compensation	(988,852)	(898,317)	(1,139,503)	(906,448)
Benefits	(327,772)	(328,675)	(371,755)	(331,555)
Unemployment Compensation Fund (FGTS)	(64,417)	(58,341)	(72,807)	(59,010)
Taxes, charges and contributions	(7,480,692)	(6,186,819)	(8,075,850)	(6,496,543)
Federal	(2,467,159)	(1,310,642)	(2,784,088)	(1,568,168)
State	(4,981,565)	(4,845,527)	(5,201,917)	(4,849,947)
Local	(31,968)	(30,650)	(89,845)	(78,428)
Debt remuneration	(1,835,911)	(1,505,219)	(2,131,540)	(1,497,183)
Interest	(836,319)	(643,774)	(1,066,340)	(633,078)
Rental	(999,592)	(861,445)	(1,065,200)	(864,105)
Equity remuneration	(1,449,535)	(2,653,423)	(1,449,535)	(2,653,423)
Retained profit	(1,449,535)	(2,653,423)	(1,449,535)	(2,653,423)





**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY INFORMATION**

**Six-month period ended June 30, 2015**

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

**1) 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 and authorizations it has been or 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, 2015 and December 31, 2014, Telefónica S.A. (“Telefónica”), holding company of the Group located in Spain, held a direct and indirect interest in the Company (Note 22).

The Company is listed in the Brazilian Securities and Exchange Commission (CVM) as a publicly-held company under Category A (issuers authorized to trade any marketable securities) and has shares traded on the São Paulo Stock Exchange (“BM&FBovespa”). 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 in the New York Stock Exchange (“NYSE”).

**b) Operations**

The Company is primarily engaged in rendering land-line telephone and data services in the state of São Paulo, under Fixed Switched Telephone Service Concession Arrangement (“STFC”) and Multimedia Communication Service (“SCM”) authorization, respectively. Also, the Company is authorized to render STFC services in Regions I and II of the General Service Concession Plan (“PGO”) and other telecommunications services, such as SCM (data communication, including broadband internet), SMP (Personal Communication Services) and SEAC (Conditional Access Audiovisual Services) (especially by means of DTH and cable technologies).

Service concessions and authorizations are granted by Brazil’s Telecommunications Regulatory Agency (“ANATEL”), 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. Operation of such concessions and authorizations is subject to supplementary regulations and plans issued.

b.1) STFC service concession arrangement

The Company is the grantee on an STFC concession to render land-line services in the local network and national long distance calls originated in sector 31 of Region III, which comprises the state of São Paulo (except for cities within sector 33), as established in the General Service Concession Plan (PGO).

In accordance with the service concession arrangement, every two years, during the arrangement’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 21).

The Company’s current STFC service concession arrangement is effective until December 31, 2025, and may be subject to reviews on December 31, 2015 and December 31, 2020.

Global Village Telecom S.A. (“GVT”), a wholly-owned subsidiary of GVT Participações S.A. (“GVTPart”), is engaged in the provision of STFC, SCM and pay-TV (SEAC) services throughout Brazil. ANATEL granted GVT the right to operate STFC in Region II of the PGO and a license to operate local and long-distance services in the Brazilian territory. In November 2006, GVT received the remaining licenses of STFC services for all of the Brazilian regions (the company was authorized to provide such services only in part of these regions). This granted the company the STFC license for the whole territory. GVT also has licenses to provide SCM and SEAC services in the entire Brazilian territory.



**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY INFORMATION**

**Six-month period ended June 30, 2015**

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

GVT is the controlling shareholder of POP Internet Ltda. (“POP”) and of Innoweb Ltda. (“Innoweb”), Brazil-based entities operating in the telecommunications industry.

**b.2) SMP authorization arrangement**

The Company operates SMP services, in accordance with the authorizations it has been given. Frequency authorizations granted by ANATEL may be renewed only once, over a 15-year period, through payment, every two years after the first renewal, of fees equivalent to 2% of the Company’s prior-year revenue, net of taxes and social contribution taxes, related to the application of the Basic and Alternative Service Plans (Note 21).

The information on the areas of operation (regions) and due dates of the radiofrequency authorizations is the same of Note 1b2 – “SMP Authorization Arrangements”, as disclosed in the financial statements at December 31, 2014.

**c) Agreement between Telefónica S.A. and Telecom Italia, S.p.A.**

TELCO S.p.A. (“TELCO”) has a 22.4% interest with voting rights in Telecom Italia, S.p.A. (“Telecom Italia”), and is the majority shareholder of this company.

Telefónica S.A. holds an indirect control in Telefonica Brasil, and Telecom Italia holds an indirect interest in TIM S.A. (“TIM”), a Brazilian telecommunications company. Neither Telefónica, nor Telefônica Brasil or any other affiliate of Telefónica interfere in, are involved with or have decision-making powers over TIM operations in Brazil, also being lawfully and contractually forbidden to exercise any type of political power derived from indirect interest in relation to TIM operations in Brazil. TIM (Brazil) and Telefônica Brasil compete in all markets in which they operate in Brazil under permanent competitive stress and, in this context, as well as in relation to the other economic players in the telecommunications industry, maintain

usual and customary contractual relations with one another (many of which are regulated and inspected by ANATEL) and/or which, as applicable, are informed to ANATEL and CADE, concerning the commitments assumed before these agencies so as to ensure total independence of their operations.

On September 24, 2013, Telefónica S.A entered into an agreement with the other shareholders of TELCO, whereby Telefónica subscribed and paid up capital in TELCO through a contribution of 324 million euros, receiving shares without voting rights of TELCO as consideration. As a result of this capital increase, the share capital of Telefónica with voting rights in TELCO remained unchanged, although their economic participation rose to 66%. Thus, the governance of TELCO, as well as the obligations of Telefónica S.A to abstain from participating in or influencing the decisions that impact the industries where they both operate, remained unchanged.

In the same document, the Italian shareholders of TELCO granted to Telefónica the option to acquire all TELCO's shares, and such option is conditioned on prior competition defense and telecommunications approvals that are required (including in Brazil and Argentina).

On June 16, 2014, the Italian shareholders of TELCO decided to exercise their rights to request spin-off ensured by the Shareholders' Agreement of the company. This spin-off was approved by the Annual Shareholders' Meeting of TELCO held on July 9, 2014, and was subject to prior authorization by relevant authorities, including CADE and ANATEL in Brazil.

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**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY INFORMATION**

**Six-month period ended June 30, 2015**

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

On December 22, 2014 and March 12, 2015, ANATEL authorized TELCO's spin-off, in a transaction impacting the swap transaction conducted with Vivendi S.A. ("Vivendi"), based on Rulings No. 429/2014-CD and No. 87/2015-CD, respectively. The swap transaction agreed by and between Telefônica and Vivendi, Vivendi would exchange all its voting shares and part of its non-voting shares held in the Company for an indirect interest held by Telefônica in Telecom Itália (Note 3), subject to certain conditions, such as prohibiting Vivendi to increase its interest in the Company.

The 61<sup>st</sup> ordinary session of CADE's Trial Court, held on March 25, 2015, approved TELCO's spin-off and the swap transaction agreed upon between Telefônica and Vivendi, subject to the execution of three concentration control agreements.

**2) BASIS OF PREPARATION AND PRESENTATION OF QUARTERLY INFORMATION**

**2.1) Statement of Compliance**

The individual quarterly information (Company) was prepared and is presented in accordance with accounting practices adopted in Brazil, which comprise the rules issued by CVM, and with CPC 21 - Interim Financial Reporting, issued by the Brazilian FASB (CPC), which are in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The consolidated quarterly information (Consolidated) was prepared and is presented in accordance with CPC 21 and IAS 34 – Interim Financial Reporting, issued by IASB, and CVM rules.

At a meeting held on July 15, 2015, the Executive Board authorized the issue of this quarterly information, which was ratified by the Board of Directors at a meeting held on July 27, 2015.

## 2.2) Basis of preparation and presentation

The Company's quarterly information for the six-month period ended June 30, 2015 is presented in thousands of reais (unless otherwise stated) and was prepared under a going concern assumption.

This quarterly information compares the quarters ended June 30, 2015 and 2014, except the balance sheets, in which the positions at June 30, 2015 and December 31, 2014 are compared.

As a result of the consolidation of GVTPart (Note 3) as of May 1, 2015, the financial information as at June 30, 2015 is not comparable to the information as at December 31 and June 30, 2014.

This quarterly information was prepared pursuant to the accounting principles, practices and criteria consistent with those adopted in preparing the financial statements for the year ended December 31, 2014 (Note 3 – "Summary of Significant Accounting Practices") and must be analyzed jointly with the referred to financial statements.

Certain accounts in the tables of these notes to quarterly information and the Statement of Value-Added were reclassified so as to allow comparison of information for the six-month periods ended June 30, 2015 and 2014, as applicable.

On the date of preparation of this quarterly information, the following IFRS amendments had been published; however, their application was not compulsory:

IFRS 9 Financial Instruments, issue of final version: This standard encompasses all phases of the financial instruments project and replaces IAS 39 – Financial Instruments: Recognition and Measurement and all prior versions of IFRS 9. It introduces new requirements for classification and measurement, impairment loss and hedge accounting. This standard is applicable as from the year beginning on January 1, 2018, and its early adoption is not permitted. Its retrospective application is required; however, the presentation of comparative information is not mandatory. Early adoption of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the initial application date falls before February 1, 2015. The adoption of IFRS 9 will impact the classification and measurement of the Company's financial assets, but it will not impact the classification and measurement of its financial liabilities.

**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY INFORMATION**

**Six-month period ended June 30, 2015**

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

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, revision: This standard determines the accounting treatment for transactions involving assets between an investor and its associates or joint ventures. This standard is applicable as from the year beginning on January 1, 2016. The Company does not expect any significant impacts on its financial position.

IFRS 10, 12 and IAS 28 Investment Entities: Applying the Consolidation Exception, revision: This standard addresses the requirements for financial statements disclosure for an investment entity. This standard is applicable for annual periods beginning on or after January 1, 2017. The Company does not expect any significant impacts on its financial position.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations, revision: The amendments to this standard require that a joint investor, which records the acquisition of interest in a joint operation that is a business, apply the relevant IFRS 3 principles applicable to business combination. The amendments further clarify that the interest previously held in a joint operation is not remeasured upon acquisition of additional interest in the same joint operation, while the joint control is held. In addition, a scope exclusion was added to IFRS 11 in order to specify that the amendments are not applicable when the parties sharing joint control, including the reporting entity, are under the common control of the main controlling party. The amendments apply both to the acquisition of final interest in a joint operation and the acquisition of any additional interest in the same joint operation, and are effective prospectively as from the year beginning on January 1, 2016. The Company does not expect significant impacts on its financial position.

IFRS 14 Regulatory Deferral Accounts, issue: This standard is optional and allows a company that conducts rate-regulated activities to continue applying most of its accounting policies on regulatory deferral account balances, upon first-time adoption of IFRS. The companies that adopt IFRS 14 must present regulatory deferral account balances as separate accounts in the balance sheets and in other comprehensive income. This standard requires disclosures on the nature and risks associated with company's regulated rates and the effects of such regulation on the financial statements. This standard is applicable as from the year beginning on January 1, 2016. The Company does not expect any significant impacts on its financial position, since it has already been preparing its financial statements based on the effective IFRS.



IFRS 15 Revenue from Contracts with Customers, issue: This standard requires that an entity recognize revenue, reflecting the consideration expected to be received in exchange of the control over goods or services. When adopted, this standard will replace most part of the current guidance on revenue recognition (standards IAS 11, IAS 18, IFRIC 13, IFRIC 15 and IFRIC 18). This standard is applicable as from the year beginning on January 1, 2017, and it may be adopted retrospectively, or using a cumulative effect approach. The Company is evaluating the impacts on its quarterly information and disclosures, and has neither defined the transition method nor determined the potential impacts on its financial reports yet.

IAS 1 Disclosure Initiative, review: This standard addresses changes in the overall financial statements of a company. This standard is applicable for annual periods beginning on or after January 1, 2016. The Company does not expect any significant impacts on its financial position.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization, revision: The amendments clarify the depreciation and amortization methods, subject to the alignment to the concept of future economic benefits expected from the use of assets over its economic useful life. This standard is applicable for annual periods beginning on or after January 1, 2016. The Company does not expect any significant impacts on its financial position.

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**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**

The Company does not early adopt any pronouncement, interpretation or amendment which has been issued but whose application is not mandatory.

**2.3) Basis of consolidation**

At June 30, 2015 and December 31, 2014, the Company held interests in the following companies:

Investees	Type of investment	At 06.30.15	At 12.31.14	Country (He
Telefônica Data S.A. ("TData")	Wholly-owned subsidiary	100.00%	100.00%	
GVT Participações S.A. ("GVTPart.") (Note 3)	Wholly-owned subsidiary	100.00%	-	
Aliança Atlântica Holging B.V. ("Aliança")	Jointly-controlled subsidiary	50.00%	50.00%	
Companhia AIX de Participações ("AIX")	Jointly-controlled subsidiary	50.00%	50.00%	
Companhia ACT de Participações ("ACT")	Jointly-controlled subsidiary	50.00%	50.00%	

Interests held in subsidiaries or jointly-controlled entities are measured under the equity method in the individual quarterly information. In the consolidated quarterly information, investments and all asset and liability balances, revenues and expenses arising from transactions and interest held in subsidiary are fully eliminated. Investments in jointly-controlled entities are measured under the equity method in the

consolidated quarterly information.

### 3) ACQUISITION OF GVT PARTICIPAÇÕES S.A. (“GVTPart.”)

Pursuant to and for the purposes of CVM Rule No. 358/02, the Company informed the market that its Special Shareholders’ Meeting (“AGE”) held on May 28, 2015 approved the ratification of the Stock Purchase Agreement and Other Covenants executed by the Company, in the capacity of “Buyer”, and Vivendi and its subsidiaries (Société d’Investissements et de Gestion 108 SAS - “FrHolding108” and Société d’Investissements et de Gestion 72 S.A.), in the capacity of “Sellers”, whereby all the shares issued by GVTPart were acquired by the Company.

Payment for acquisition of GVTPart shares was made as follows:

- €4,663,000,000.00 paid in cash after contractual adjustments on the execution date; and
- Company-issued shares delivered to FRHolding108 as a result of the merger of GVTPart shares by the Company, representing 12% of the Company’s capital stock after the merger of shares.

As a result of the merger of GVTPart shares, the Company’s capital increased by R\$9,666,021, with the issuance of 68,597,306 common shares and 134,320,885 preferred shares, all registered, no-par value shares, based on the economic value of merged shares calculated using the discounted cash flow method and on the appraisal report on GVTPart’s economic value prepared by an expert firm, in conformity with article 252, paragraph 1, together with article 8, of Law No. 6404/76. The difference between the economic value of merged shares and the market value of shares issued on the transaction closing date was recognized in “Other Capital Reserves”, in the amount of R\$1,188,707.

This transaction was subject to obtaining the applicable corporate and regulatory authorizations, including Brazil’s Administrative Council for Economic Defense (“CADE”) and ANATEL, in addition to other conditions among those usually applicable to this kind of transaction. The transaction was approved by ANATEL under Act No. 448 of January 22, 2015 and published in the Federal Register (“DOU”) on January 26, 2015, and by CADE at the 61<sup>st</sup> ordinary session of its Trial Court, held on March 25, 2015, and published in the Federal Register (“DOU”) on March 31, 2015.



**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**

Once the acquisition transaction was completed on May 28, 2015, the Company has held direct interests in GVTPart and indirect interests in GVT. The business purpose of Brazil-based GVTPart is to hold interests in other domestic or foreign companies as a partner, shareholder or member. Its direct subsidiary (GVT) provides land-line telephone, data, multimedia communication and pay-TV services throughout the Brazilian territory.

According to IFRS 3 (R)/CPC 15 (R1) - Business Combinations, business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair value of assets transferred, the liabilities assumed at acquisition date from the former acquiree's shareholders and equity interests issued in exchange for control over the acquire.

The acquisition price, as yet calculated on a preliminary basis, is shown below:

Gross consideration in cash (Euros 4,663 billion)	15,964,853
(-) Contract adjustments (Net debt) (*)	(7,060,899)
<b>Net consideration in cash</b>	<b>8,903,954</b>
(+) Contingent Consideration	344,217
(+) Consideration in shares at fair value	8,477,314
(-) Gains from Cash Flow Hedge on transaction	(377,373)
<b>Total consideration, net of cash flow hedge</b>	<b>17,348,112</b>
(*) Reviewed by an expert independent firm, as contractually defined.	

Please find below a breakdown of the fair value of assets acquired for R\$5,314,249, as well as goodwill recorded on the acquisition date:

<b>Current assets</b>	<b>1,772,074</b>	<b>Current liabilities</b>	<b>5,283,280</b>
Cash and cash equivalents	399,241	Personnel, social charges and benefits	172,158
Trade accounts receivable, net	1,143,431	Trade accounts payable	591,809
Inventories	4,641	Taxes, charges and contributions	347,615
Taxes recoverable	151,306	Loans and financing	3,969,634
Prepaid expenses	60,182	Provisions	17,866
Other assets	13,273	Other liabilities	184,198
<b>Noncurrent assets</b>	<b>12,598,975</b>	<b>Noncurrent liabilities</b>	<b>3,773,520</b>
Taxes recoverable	70,182	Taxes, charges and contributions	1,342
Deferred taxes (4)	257,420	Loans and financing	3,088,414
Judicial deposits and garnishments	551,275	Provisions (3)	595,724
Other assets	16,018	Other liabilities	88,040
Property and equipment, net (1)	8,904,052	<b>Fair value of liabilities assumed</b>	<b>9,056,800</b>
Intangible assets, net (2)	2,800,028	<b>Fair value of net assets acquired</b>	<b>5,314,249</b>
		<b>Goodwill (5)</b>	<b>12,033,863</b>
<b>Fair value of assets acquired</b>	<b>14,371,049</b>	<b>Total considered, net of cash flow hedge</b>	<b>17,348,112</b>

(1) This includes the allocation of appreciation of property, plant and equipment items (R\$368,622).

(2) This includes the allocation of fair value assigned to the brand (R\$37,000), customer portfolio (R\$2,414,000), appreciation and other intangible assets (R\$148,169).

(3) This includes the allocation of fair value assigned to contingent liabilities (R\$429,078).

(4) This includes the allocation of deferred taxes on contingent liabilities (R\$145,886).

**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY INFORMATION**

**Six-month period ended June 30, 2015**

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

(5) This refers to goodwill recorded on the acquisition of GVTPart based on expected synergies resulting from the business combination, which may be used for tax purposes, as a nondeductible portion currently estimated at R\$577,827, which is under review and adjustments to determine the fair value of identifiable assets acquired and liabilities assumed from GVTPart. This review is expected to be completed shortly, as soon as management has all significant information about the facts, limited to a period not exceeding 12 months after the date of acquisition.

The main purpose of the Company's acquisition of control over GVTPart was to enable the integration of land-line, mobile, data and TV telecommunication services in Brazil, with a view to operating more effectively. The acquisition of GVTPart allows the Company to obtain significant synergies in revenues and costs, generating cross-selling opportunities both personally and in the corporate market, and also allows the optimization of investments, improve service quality, reduce content costs, acquisition platform and in business cable TV, due to economies with increased scale and, finally, the reduction of general and administrative expenses, not affecting the potential growth of the Company.

The methods and assumptions used to determine the fair values were:

**Customer portfolio**

The customer portfolio was valued using the MEEM method ("Multi-period Excess Earnings Method"), which is based on a discounted cash flow calculation of future economic benefits attributable to the customer base, net of eliminated liabilities for contributions involving its generation. In order to estimate the remaining useful life of the customer portfolio, an analysis of the average length of customer relationships was conducted using a churn method.

The purpose of the useful life analysis is to estimate a survival curve that anticipates future churn rates in relation to the existing customer base. The so-called lowa curves were used as an approximation to the customer survival curve. The fair value allocated to the customer portfolio on the acquisition date was R\$2,414,000, which will be amortized over 7.77 years on average.

**Brand**

The fair value of "GVT" brand was determined through the "relief-from-royalty" method. This method measures the value of the asset by capitalizing the royalties saved by owning intellectual property. In other words, the owner of the brand profits from owning the intangible asset, rather than having to pay royalties

for its use. The royalties saved were determined by applying a market royalty rate (expressed as a percentage of revenue) to the future expected revenues from the sale of the product or service associated with the intangible asset. The market royalty rate, normally expressed as a percentage of net revenue, is the rate a knowledgeable willing owner would charge a knowledgeable willing user for use of an asset it owns in an arm's length transaction. The fair value allocated to the brand on the acquisition date was R\$37,000, which will be amortized over 1.5 year.

#### Contingent Consideration

As part of the Stock Purchase Agreement and Other Covenants executed by the Company and Vivendi for the acquisition of all GVTPart-issued shares, a contingent consideration was defined for the court deposits made by GVT for the monthly installments of deferred income and social contribution taxes on the amortization of goodwill arising from the corporate restructuring process completed by GVT in 2013. In September 2014, GVT filed for a cancellation of the judicial review and the return of amounts deposited with the courts.

If GVT succeeds in receiving (being reimbursed, refunded or netting) these funds, they will be returned to Vivendi, as long as they are obtained in a final unappealable decision. The period for returning such amount is 15 years.

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**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**

The fair value of the contingent consideration on the acquisition date is R\$344,217, recorded in the Company's noncurrent liabilities as "Loans, financing, lease and contingent consideration" (Note 20), which is subject to monthly monetary adjustments based on the Selic rate.

## Fair value of Contingent Liabilities

According to IFRS 3(R) Business Combinations, the acquirer must recognize, on the acquisition date, contingent liabilities assumed in a business combination, even if it is not probable that cash outflows will be required to settle the obligation, as long as it is a present obligation arising from past events and its fair value can be measured reliably. In compliance with these requirements, contingent liabilities were recognized in this acquisition at a fair value of R\$429,078, which were determined considering the expected cash outflow required to settle the obligation on the acquisition date (Note 18).

## Other Information

<b><u>Analysis of cash flow upon acquisition</u></b>	<b>R\$ thousand</b>
Transaction costs on acquisition (included in cash from operating activities)	(8,638)
Cash and cash equivalents in the acquired company (included in cash from investing activities)	399,241
<b>Net balance of cash and cash equivalents on acquisition</b>	<b>390,603</b>

Transaction costs incurred to date, amounting to R\$8,638, were recorded in the Company's income statement as operating expenses.

The fair value of accounts receivable for service rendering totals R\$1,143,431, which does not differ from the book value comprising the gross amount of R\$1,467,367, net of estimated impairment losses totaling R\$323,936.

From the date of acquisition to the completion of this quarterly information, GVTPart contributed R\$977,418 in combined net operating revenue and (R\$50.834) in combined net income (loss) to the Company.

Upon completion of this consolidated quarterly information, the Company was performing a review of and adjustments to the determination of the fair value of identifiable assets acquired and liabilities assumed by GVTPart. This review is expected to be completed shortly, as soon as management has all significant information about the facts, limited to a period not exceeding 12 months after the date of acquisition.

In compliance with CVM Instruction No. 565, of June 15, 2015, the Company reports, in Note 35, the pro forma consolidated income statement (unaudited) for 2014 and for the six month periods ended June 30, 2015 and 2014.

#### 4) CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	06.30.15	12.31.14	06.30.15	12.31.14
Cash and banks	104,094	63,136	117,402	64,010
Short-term investments	6,287,133	3,772,168	6,977,265	4,628,679
<b>Total</b>	<b>6,391,227</b>	<b>3,835,304</b>	<b>7,094,667</b>	<b>4,692,689</b>

Highly liquid short-term investments basically correspond to Bank Deposit Certificates (CDB), pegged to the Interbank Deposit Certificate (CDI) rate variation, and are kept at first-tier financial institutions.

**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)****5) TRADE ACCOUNTS RECEIVABLE, NET**

	Company		Consolidated	
	06.30.15	12.31.14	06.30.15	12.31.14
Billed amounts	5,233,692	4,957,574	6,757,027	5,538,184
Unbilled amounts	1,322,871	1,280,851	2,018,470	1,410,273
Interconnection amounts	1,564,848	1,579,277	1,591,374	1,579,277
Receivables from related parties (Note 29)	220,168	157,306	174,879	115,048
<b>Gross accounts receivable</b>	<b>8,341,579</b>	<b>7,975,008</b>	<b>10,541,750</b>	<b>8,642,782</b>
Estimated impairment losses	(1,559,804)	(1,313,956)	(2,226,773)	(1,619,316)
<b>Total</b>	<b>6,781,775</b>	<b>6,661,052</b>	<b>8,314,977</b>	<b>7,023,466</b>
Current	6,577,250	6,470,764	8,001,965	6,724,061
Noncurrent	204,525	190,288	313,012	299,405

Consolidated balances of noncurrent trade accounts receivable include:

- At June 30, 2015, R\$204,525 (R\$190,288 at December 31, 2014) referring to the business model of resale of goods to legal entities, receivable within 24 months. At June 30, 2015, the impact of the present-value adjustment was R\$48,472 (R\$29,872 at December 31, 2014).
- At June 30, 2015, R\$108,487 (R\$109,117 at December 31, 2014) referring to "Soluciona TI", traded by TData, which consists in lease of IT equipment to small and medium enterprises and receipt of fixed installments over the contractual term. Considering the contractual terms, this product was classified as finance lease. At June 30, 2015, the impact of the present-value adjustment was R\$5,430 (R\$7,522 at December 31, 2014).

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

	Company		Consolidated	
	06.30.15	12.31.14	06.30.15	12.31.14
Falling due	4,705,555	4,853,376	5,949,288	5,107,714
Overdue – 1 to 30 days	955,593	914,709	1,094,762	970,086
Overdue – 31 to 60 days	411,473	318,552	453,750	328,367
Overdue – 61 to 90 days	242,532	207,542	294,188	243,981
Overdue – 91 to 120 days	106,107	75,895	107,495	73,962
Overdue – over 120 days	360,515	290,978	415,494	299,356
<b>Total</b>	<b>6,781,775</b>	<b>6,661,052</b>	<b>8,314,977</b>	<b>7,023,466</b>

At June 30, 2015 and December 31, 2014, no customer represented more than 10% of trade accounts receivable, net.

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

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**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**

	Company	Consolidated
<b>Balance at 12.31.13</b>	<b>(1,033,665)</b>	<b>(1,271,622)</b>
Net supplement of estimated losses (Note 24)	(396,685)	(428,270)
Write-off due to use	331,700	328,242
<b>Balance at 06.30.14</b>	<b>(1,098,650)</b>	<b>(1,371,650)</b>
Net supplement of estimated losses	(435,499)	(468,066)
Write-off due to use	220,193	220,400
<b>Balance at 12.31.14</b>	<b>(1,313,956)</b>	<b>(1,619,316)</b>
Net supplement of estimated losses (Note 24)	(543,545)	(609,212)
Write-off due to use	297,697	325,691
Business combination (Note 3)	-	(323,936)
<b>Balance at 06.30.15</b>	<b>(1,559,804)</b>	<b>(2,226,773)</b>

The balances of current and noncurrent trade accounts receivable, relating to finance lease of “Solucioná TI” product, comprise the following effects:

	Consolidated	
	06.30.15	12.31.14
Present value receivable	520,829	497,523
Unrealized financial income	5,430	7,522
<b>Nominal value receivable</b>	<b>526,259</b>	<b>505,045</b>
Estimated impairment losses	(269,743)	(240,191)
<b>Net amount receivable</b>	<b>256,516</b>	<b>264,854</b>
Current	148,029	155,737
Noncurrent	108,487	109,117

At June 30, 2015, the aging list of gross trade accounts receivable referring to “Solucioná TI” product is as follows:

	Consolidated	
	Nominal value receivable	Present value receivable

Falling due within one year	280,442	280,442
Falling due within five years	245,817	240,387
<b>Total</b>	<b>526,259</b>	<b>520,829</b>

There are no unsecured residual values resulting in benefits to the lessor or contingent payments recognized as revenue for the period.

## 6) INVENTORIES, NET

	Company		Consolidated	
	06.30.15	12.31.14	06.30.15	12.31.14
Materials for resale (a)	612,967	441,793	660,210	464,718
Materials for use	63,497	54,847	68,305	55,820
Other inventories	7,741	7,749	7,741	7,749
<b>Gross total</b>	<b>684,205</b>	<b>504,389</b>	<b>736,256</b>	<b>528,287</b>
Estimated impairment losses and obsolescence	(54,247)	(45,901)	(55,860)	(48,486)
<b>Total</b>	<b>629,958</b>	<b>458,488</b>	<b>680,396</b>	<b>479,801</b>

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

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

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**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**

	Company	Consolidated
<b>Balance at 12.31.13</b>	<b>(52,275)</b>	<b>(58,161)</b>
Supplement of estimated losses	(10,745)	(12,563)
Reversal of estimated losses	10,472	11,689
<b>Balance at 06.30.14</b>	<b>(52,548)</b>	<b>(59,035)</b>
Supplement of estimated losses	(16,407)	(18,449)
Reversal of estimated losses	23,054	28,998
<b>Balance at 12.31.14</b>	<b>(45,901)</b>	<b>(48,486)</b>
Supplement of estimated losses	(17,932)	(18,277)
Reversal of estimated losses	9,586	10,903
<b>Balance at 06.30.15</b>	<b>(54,247)</b>	<b>(55,860)</b>

Additions and reversals of estimated impairment losses and inventory obsolescence are included in cost of goods sold (Note 24).

**7) DEFERRED TAXES AND TAXES RECOVERABLE****7.1) Taxes recoverable**

	Company		Consolidated	
	06.30.15	12.31.14	06.30.15	12.31.14
ICMS (a)	1,692,292	1,686,062	1,859,050	1,696,578
Income and social contribution taxes recoverable (b)	426,707	597,718	458,309	601,515
Withholding taxes and contributions (c)	87,179	115,445	95,309	134,795
PIS and COFINS	68,973	85,662	95,692	86,447
Other	44,366	18,722	73,523	23,532
<b>Total</b>	<b>2,319,517</b>	<b>2,503,609</b>	<b>2,581,883</b>	<b>2,542,867</b>

Current	1,972,676	2,163,404	2,171,259	2,202,662
Noncurrent	346,841	340,205	410,624	340,205

(a) This includes credits arising from acquisition of property and equipment (subject to offsetting in 48 months), in ICMS refund request, which was paid under invoices later cancelled, for the rendering of services, tax substitution, rate difference, among others.

(b) These refer to prepayments of income and social contribution taxes, which will be offset against federal taxes to be determined in the future.

(c) These refer to credits on Withholding Income Tax (IRRF) on short-term investments, interest on equity and others, which are used as deduction in operations for the period and social contribution tax withheld at source on services provided to public agencies.

## 7.2) Deferred taxes

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

Deferred taxes were determined considering future realization, as follows:

(a) Income and social contribution tax losses: the amount 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.

(b) Merged tax credit: represented by tax benefits arising from corporate restructuring of goodwill for expected future profitability, whose tax use follows the limit set forth in tax legislation.



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(c) Income and social contribution taxes on temporary differences: amounts will be realized upon payment of provisions, effective impairment loss of trade accounts receivable, or realization of inventories, as well as upon reversal of other provisions.

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

	Balances at 12.31.13	Income statement	Comprehensive income (loss)	Balances at 06.30.14	Income statements	Company Comprehensive income (loss)	Balances at 12.31.14	In
<b><u>Deferred assets</u></b>								
Income tax on tax losses and social contribution tax loss (a)	122,321	(122,321)	-	-	70,164	-	70,164	(7
Income and social contribution taxes on temporary differences (c)								
Provisions for labor, tax, civil and regulatory contingencies	1,322,244	114,566	-	1,436,810	17,539	-	1,454,349	11
Trade accounts payable and other	338,458	180,541	-	518,999	(82,200)	-	436,799	9

provisions

Customer portfolio and trademarks	-	311,141	-	311,141	-	-	311,141	
Estimated impairment losses on accounts receivable	241,203	20,459	-	261,662	42,270	-	303,932	5
Estimated losses on modems and other property and equipment items	164,518	19,875	-	184,393	(16,700)	-	167,693	
Post-retirement benefit plans	143,537	5,850	-	149,387	6,839	-	156,226	
Profit sharing	71,287	(16,341)	-	54,946	90,113	-	145,059	(6)
Provision for loyalty program	31,199	184	-	31,383	125	-	31,508	
Accelerated accounting depreciation	154,181	828	-	155,009	(139,634)	-	15,375	
Estimates impairment losses (write-offs and reversals) on inventories	10,884	(750)	-	10,134	(120)	-	10,014	
Income and social contribution taxes on other temporary differences	157,988	(536)	1,554	159,006	(23,044)	19,862	155,824	4
<b>Total deferred assets</b>	<b>2,757,820</b>	<b>513,496</b>	<b>1,554</b>	<b>3,272,870</b>	<b>(34,648)</b>	<b>19,862</b>	<b>3,258,084</b>	<b>18</b>
<b><u>Deferred liabilities</u></b>	<b>(337,535)</b>	<b>-</b>	<b>-</b>	<b>(337,535)</b>	<b>-</b>	<b>-</b>	<b>(337,535)</b>	

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Merged tax  
credit (b)

Income and  
social  
contribution  
taxes on  
temporary  
differences (c)

License	(719,780)	(159,951)	-	(879,731)	(108,165)	-	(987,896)	(10)
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Effects of goodwill generated upon merger of Vivo Part.	(568,338)	-	-	(568,338)	(147,200)	-	(715,538)	(6)
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Vivo Part. goodwill	(480,366)	(106,748)	-	(587,114)	(101,963)	-	(689,077)	(10)
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Technological innovation law	(308,490)	23,718	-	(284,772)	28,318	-	(256,454)	2
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Customer portfolio	(461,870)	461,870	-	-	-	-	-	-
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Trademarks and patents	(479,548)	479,548	-	-	-	-	-	-
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Income and social contribution taxes on other temporary differences	(124,527)	(59,843)	(542)	(184,912)	67,448	(113,416)	(230,880)	(
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<b>Total deferred liabilities</b>	<b>(3,480,454)</b>	<b>638,594</b>	<b>(542)</b>	<b>(2,842,402)</b>	<b>(261,562)</b>	<b>(113,416)</b>	<b>(3,217,380)</b>	<b>(25</b>
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<b>Total noncurrent assets (liabilities), net</b>	<b>(722,634)</b>	<b>1,152,090</b>	<b>1,012</b>	<b>430,468</b>	<b>(296,210)</b>	<b>(93,554)</b>	<b>40,704</b>	<b>(7</b>
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**Deferred tax  
assets  
(liabilities),  
net**

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

<b>Noncurrent deferred assets, net</b>	-	<b>430,468</b>	<b>40,704</b>
<b>Noncurrent deferred liabilities, net</b>	<b>(722,634)</b>	-	-

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**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**

	Balances		Income Comprehensive		Balances		Income Comprehensive		Consolidated	
	at 12.31.13	statement	income	(loss)	at 06.30.14	statement	income	(loss)	at 12.31.14	statement
<b><u>Deferred assets</u></b>										
Income tax on tax losses and social contribution tax loss (a)	262,915	(180,422)	-	-	82,493	11,053	-	-	93,546	(217,000)
Income and social contribution taxes on temporary differences (c)										
Provisions for labor, tax, civil and regulatory contingencies	1,327,288	114,793	-	-	1,442,081	17,757	-	-	1,459,838	116,000
Trade accounts payable and other provisions	398,956	201,428	-	-	600,384	(98,427)	-	-	501,957	100,000
Estimated impairment losses on accounts receivable	245,556	23,068	-	-	268,624	46,448	-	-	315,072	60,000
Customer portfolio and	-	311,141	-	-	311,141	-	-	-	311,141	20,000

Independent auditor's report on interim financial statements

trademarks

Estimated  
losses on  
modems and  
other property  
and equipment  
items

166,174 20,532 - 186,706 (17,000) - 169,706 (28

Post-retirement  
benefit plans

143,537 5,850 - 149,387 6,838 - 156,225 7

Profit sharing

71,948 (16,616) - 55,332 90,497 - 145,829 (71

Accelerated  
accounting  
depreciation

154,181 828 - 155,009 (139,634) - 15,375

Estimates  
impairment  
losses  
(write-offs and  
reversals) on  
inventories

12,885 (546) - 12,339 (1,446) - 10,893 (1

Provision for  
loyalty program

31,199 184 - 31,383 124 - 31,507

Income and  
social  
contribution  
taxes on other  
temporary  
differences

157,313 (546) 1,554 158,321 (22,668) 19,862 155,515 24

**Total deferred  
assets**

**2,971,952 479,694 1,554 3,453,200 (106,458) 19,862 3,366,604 23**

**Deferred  
liabilities**

Merged tax  
credit (b)

(337,535) - - (337,535) - - (337,535)

Income and  
social  
contribution  
taxes on  
temporary  
differences (c)

License

(719,780) (159,951) - (879,731) (108,165) - (987,896) (108

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Effects of goodwill generated upon merger of Vivo Part.	(568,338)	-	-	(568,338)	(147,200)	-	(715,538)	(60)
Vivo Part. goodwill	(480,366)	(106,748)	-	(587,114)	(101,963)	-	(689,077)	(101)
Technological innovation law	(308,490)	23,718	-	(284,772)	28,318	-	(256,454)	27
Customer portfolio	(461,870)	461,870	-	-	-	-	-	-
Trademarks and patents	(479,548)	479,548	-	-	-	-	-	-
Negative goodwill on merger of shares	-	-	-	-	-	-	-	-
Income and social contribution taxes on other temporary differences	(128,365)	(56,246)	(542)	(185,153)	63,282	(113,416)	(235,287)	(12)
<b>Total deferred liabilities</b>	<b>(3,484,292)</b>	<b>642,191</b>	<b>(542)</b>	<b>(2,842,643)</b>	<b>(265,728)</b>	<b>(113,416)</b>	<b>(3,221,787)</b>	<b>(256)</b>
<b>Total noncurrent assets (liabilities), net</b>	<b>(512,340)</b>	<b>1,121,885</b>	<b>1,012</b>	<b>610,557</b>	<b>(372,186)</b>	<b>(93,554)</b>	<b>144,817</b>	<b>(18)</b>
<b><u>Deferred tax assets (liabilities), net</u></b>								
<b>Restated in the balance sheet as follows:</b>								
<b>Noncurrent deferred assets, net</b>	<b>210,294</b>			<b>610,557</b>			<b>144,817</b>	
<b>Noncurrent deferred liabilities, net</b>	<b>(722,634)</b>			<b>-</b>			<b>-</b>	

At June 30, 2015, the amount of R\$422,580 in deferred tax credits were not recognized for GVT, POP and Innweb, as it is not probable that future taxable profits will be available for these entities to benefit from such tax credits.

The following table presents deferred income and social contribution taxes for items charged or credited directly in equity, at June 30, 2015 and 2014.

	Company/Consolidated	
	06.30.15	06.30.14
Unrealized losses on investments available for sale	266	1,554
Gains (losses) on derivative transactions	114,640	(542)
<b>Total</b>	<b>114,906</b>	<b>1,012</b>

#### 8) 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 whose likelihood of loss was analyzed by the Company, grounded on the opinion of its legal advisors as a probable, possible or remote loss.



**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**

	Company		Consolidated	
	06.30.15	12.31.14	06.30.15	12.31.14
Judicial deposits				
Tax	2,849,713	2,647,635	3,286,611	2,665,757
Labor	1,031,881	1,008,745	1,088,934	1,016,019
Civil and regulatory	959,094	935,842	1,044,780	936,782
<b>Total</b>	<b>4,840,688</b>	<b>4,592,222</b>	<b>5,420,325</b>	<b>4,618,558</b>
Garnishments	125,862	124,730	135,783	126,667
<b>Total</b>	<b>4,966,550</b>	<b>4,716,952</b>	<b>5,556,108</b>	<b>4,745,225</b>
Current	211,908	202,169	211,908	202,169
Noncurrent	4,754,642	4,514,783	5,344,200	4,543,056

At June 30, 2015, the Company and its subsidiaries had a number of tax-related judicial deposits, reaching the consolidated amount of R\$3,286,611 (R\$2,665,757 at December 31, 2014). In Note 18, we provide further details on issues arising from the main judicial deposits.

Below is a brief description of the main tax-related judicial deposits:

- Federal contribution taxes on gross revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)

The Company and TData are involved in disputes related to: (i) claim filed for credits arising from overpayment of tax, not recognized by tax authorities; (ii) tax debt arising from underpayment due to differences in ancillary statements (Federal Tax Debt and Credit Return – DCTF); and (iii) disputes referring to changes in rates and increase in tax bases introduced by Law No. 9718/98.

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$34,054 (R\$33,040 at December 31, 2014).

- Social Contribution Tax for Intervention in the Economic Order (CIDE)

The Company is involved in legal disputes for the exemption of CIDE levied on offshore remittances of funds arising from agreements for the transfer of technology, brand and software licensing, etc.

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$158,591 (R\$153,759 at December 31, 2014).

- Telecommunications Inspection Fund (FISTEL)

ANATEL collects Installation Inspection Fee (TFI) on extension of licenses granted and on radio base stations, mobile stations and radio links. Such collection results from the understanding of ANATEL that said extension would be a triggering event of TFI and that mobile stations, even if owned by third parties, are also subject to TFI. The Company and TData are challenging the aforesaid fee in court.

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$966,321 (R\$929,880 at December 31, 2014).

- Withholding Income Tax (IRRF)

The Company is involved in disputes related to: (i) exemption of IRRF payment on offshore remittances for out-coming traffic; (ii) exemption of IRRF payment on interest on equity; and (iii) IRRF levied on earnings from rent and royalties, wage labor and fixed-income investments.

**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY INFORMATION**

**Six-month period ended June 30, 2015**

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

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$65,490 (R\$63,295 at December 31, 2014).

- Corporate Income Tax (IRPJ) and Contribution Tax on Net Profit (CSLL)

The Company is involved in disputes related to: (i) debts stemming from offsetting of IRPJ overpayments not recognized by the Brazilian IRS; (ii) requirement of IRPJ estimates and lack of payment of debts in the integrated system of economic and tax information (SIEF); and (iii) underpaid IRPJ amounts.

GVTPart is involved in a dispute relating to the right to monthly amortize goodwill arising from the acquisition of GVTPart by Vivendi on deducted IRPJ and CSLL amounts.

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$383,324 (R\$30,325 at December 31, 2014).

- Contribution to Empresa Brasil de Comunicação (EBC)

On behalf of its members, Sinditelebrasil (Union of Telephony and Mobile and Personal Services) is challenging in court payment of the Contribution to Foster Public Radio Broadcasting to EBC, introduced by Law No. 11652/2008. The Company and TData, as union members, made judicial deposits referring to that contribution.

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$815,404 (R\$672,593 at December 31, 2014).

- Social Security, Work Accident Insurance (SAT) and Funds to Third Parties (INSS)

The Company is involved in disputes related to: (i) SAT and funds to third parties (National Institute of Colonization and Agrarian Reform - INCRA and Brazilian Micro and Small Business Support Service - SEBRAE); (ii) joint responsibility for contract labor; (iii) difference in SAT rate (from 1% to 3%); and (iv) gifts.

GVTPart is involved in disputes relating to the payment of social security contributions (employers' contributions), SAT and funds to third parties on the following events: maternity leave, legally ensured 1/3 vacation pay bonus, and first 15 days' leave due to illness or accident.

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$113,928 (R\$102,820 at December 31, 2014).

- Unemployment Compensation Fund (FGTS)

The Company is discussing this matter in court in order to represent its right not to pay surtax of 0.5% and 10% for FGTS introduced by Supplementary Law No. 110/01 levied on deposits made by employers (the proceedings did not result in any reduction of FGTS deposits made by the Company on behalf of its employees).

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$79,659 (R\$76,459 at December 31, 2014).

- Tax on Net Income (ILL)

**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY INFORMATION**

**Six-month period ended June 30, 2015**

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

The Company is discussing this matter in court in order to represent its right to offset amounts unduly paid for ILL purposes against future IRPJ payments.

On December 19, 2013, the Company settled the debt under discussion by including it in the Federal Tax Recovery Program (REFIS), using the judicial deposit then restricted. The Company is now awaiting conversion into income by the Federal Government.

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$56,443 (R\$54,723 at December 31, 2014).

- Universal Telecommunication Services Fund (FUST)

The Company and TData filed an injunction in order to represent their right not to include expenses with interconnection and industrial use of dedicated line in FUST tax base, according to Abridgment No. 7, of December 15, 2005, as it does not comply with the provisions contained in the sole paragraph of article 6 of Law No. 9998/00.

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$408,923 (R\$394,489 at December 31, 2014).

- State Value-Added Tax (ICMS)

The Company is involved in disputes related to: (i) ICMS stated but not paid; (ii) ICMS not levied on communication in default; (iii) fine for late voluntary payment of ICMS; (iv) ICMS supposedly levied on access, adhesion, enabling, availability and use of services, as well as supplementary services and additional facilities; (v) right to credit from acquisition of goods intended to property and equipment and also from electric power; (vi) activation cards for pre-paid services; (vii) and disallowance of ICMS credit

referring to covenant 39.

GVTPart is involved in disputes to acquire the right to consign the payment of ICMS amounts on part of pay-TV services, as well as on prepaid telephone services.

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$147,031 (R\$97,278 at December 31, 2014).

- Other taxes, charges and contributions

The Company is involved in disputes related to: (i) Service Tax (ISS) on noncore services; (ii) Municipal Real Estate Tax (IPTU) not subject to exemption; (iii) municipal inspection, operation and publicity charges; (iv) land use fee; (v) social security contributions related to supposed failure to withhold 11% on several invoices, bills and receipts of service providers engaged for workforce assignment; and (vi) Public Price for Numbering Resource Management (PPNUM) by ANATEL.

At June 30, 2015, the consolidated balance of judicial deposits amounted to R\$57,443 (R\$57,096 at December 31, 2014).

**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)****9) PREPAID EXPENSES**

	Company		Consolidated	
	06.30.15	12.31.14	06.30.15	12.31.14
Fistel rate (a)	548,317	-	548,887	-
Advertising and publicity	109,641	198,758	109,641	198,758
Insurance	21,028	33,594	26,570	35,574
Rent	69,106	45,318	69,106	45,318
Financial charges	7,548	8,426	7,548	8,426
Software maintenance, taxes and other	125,030	38,817	179,097	41,698
<b>Total</b>	<b>880,670</b>	<b>324,913</b>	<b>940,849</b>	<b>329,774</b>
Current	863,390	300,567	921,899	303,551
Noncurrent	17,280	24,346	18,950	26,223

(a) This refers to Inspection and Operation Fees for 2014 which were paid in March 2015 and will be amortized until the end of the year.

**10) OTHER ASSETS**

	Company		Consolidated	
	06.30.15	12.31.14	06.30.15	12.31.14
Advances to employees and suppliers	120,316	49,827	129,002	50,981
Receivables from related parties (Note 29)	256,129	318,041	87,942	73,042
Credit with suppliers	101,146	114,422	109,122	121,615
Subsidy on handset sales	49,762	45,850	49,762	45,850
	15,322	14,515	15,468	14,653

Surplus of post-employment benefit plan (Note 32)				
Other realizable assets	42,565	87,068	32,758	87,280
<b>Total</b>	<b>585,240</b>	<b>629,723</b>	<b>424,054</b>	<b>393,421</b>
Current	524,740	535,020	356,219	298,496
Noncurrent	60,500	94,703	67,835	94,925

## 11) INVESTMENTS

### a) Information on investees

The Company holds interest in wholly-owned and jointly-controlled subsidiaries, as follows:

TData: Wholly-owned subsidiary of the Company and headquartered in Brazil, this entity is engaged in the rendering and operation of value added services (SVAs); integrated business solutions in telecommunications and related activities; managing the provision of technical assistance and maintenance services related to telecommunications equipment and network, consulting services regarding telecommunications solutions and related activities, and designing, implementing and installing telecommunication-related projects; selling and leasing telecommunications equipment, products and services, among others.

GVTPart: Controlling shareholder of GVT and headquartered in Brazil, the business purpose of GVTPart is to hold interest in other domestic or foreign companies as a partner, shareholder or member. GVT provides land-line telephone, data, multimedia communication and pay-TV services in the entire Brazilian territory.

Aliança: Jointly-controlled subsidiary (50% interest held by the Company), headquartered in Amsterdam, Netherlands, this entity is engaged in the acquisition and management of subsidiaries, and holding interest in companies of the telecommunications industry.



**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**

AIX: Jointly-controlled subsidiary headquartered in Brazil, with 50% interest held by the Company, this entity is engaged in holding interest in Refibra Consortium, and in performing activities related to the direct and indirect operation of activities related to the construction, completion and operation of underground networks for optical fiber ducts.

ACT: Jointly-controlled subsidiary headquartered in Brazil, with 50% interest held by the Company, this entity is engaged in holding interest in Refibra Consortium, and in performing activities related to the rendering of technical support services for the preparation of projects and completion of networks, by means of studies required to make them economically feasible, and monitor the progress of Consortium-related activities.

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

	At 06.30.15					At 12.31.15	
	Wholly-owned subsidiaries		Jointly-controlled subsidiaries			Wholly-owned subsidiary	Jointly-controlled subsidiaries
	TData	GVTPart.	Cia ACT	Cia AIX	Aliança	TData	Cia ACT
<b>Equity interest</b>	<b>100.00%</b>	<b>100.00%</b>	<b>50.00%</b>	<b>50.00%</b>	<b>50.00%</b>	<b>100.00%</b>	<b>50.00%</b>
<b>Summary of balance sheet:</b>							
Current assets	1,413,065	1,613,569	9	15,090	146,748	1,749,933	11
Noncurrent assets	338,331	9,660,158	-	11,823	-	335,735	-
<b>Total assets</b>	<b>1,751,396</b>	<b>11,273,727</b>	<b>9</b>	<b>26,913</b>	<b>146,748</b>	<b>2,085,668</b>	<b>11</b>
Current liabilities	648,060	4,397,234	1	3,563	66	883,906	1
Noncurrent liabilities	48,998	1,531,564	-	4,924	-	48,611	-
Equity	1,054,338	5,344,929	8	18,426	146,682	1,153,151	10
<b>Total liabilities and equity</b>	<b>1,751,396</b>	<b>11,273,727</b>	<b>9</b>	<b>26,913</b>	<b>146,748</b>	<b>2,085,668</b>	<b>11</b>
<b>Book value of investments</b>	<b>1,054,338</b>	<b>5,344,929</b>	<b>4</b>	<b>9,213</b>	<b>73,341</b>	<b>1,153,151</b>	<b>5</b>

	At 06.30.15					Wholly-owned subsidiary	At 06.30.15
	Wholly-owned subsidiaries		Jointly-controlled subsidiaries				
	TData	GVTPart.	ACT	Cia AIX	Aliança	TData	ACT
<b>Summary of income statement:</b>							
Operating revenue, net	1,229,866	977,786	31	19,307	-	1,017,382	31
Cost of sales and services	(558,860)	(525,858)	-	(15,330)	-	(523,417)	-
Selling expenses	(74,960)	(198,541)	-	-	-	(53,500)	-
General and administrative expenses	(14,740)	(68,788)	(32)	(2,742)	(53)	(14,348)	(32)
Other operating income (expenses), net	1,645	(5,394)	(1)	(175)	-	20,551	-
Financial income (expenses), net	59,943	(254,516)	-	533	57	40,854	1
<b>Income (loss) before taxes</b>	<b>642,894</b>	<b>(75,311)</b>	<b>(2)</b>	<b>1,593</b>	<b>4</b>	<b>487,522</b>	<b>-</b>
Income and social contribution taxes	(217,530)	24,477	-	(251)	-	(165,628)	-
<b>Net income (loss) for the period</b>	<b>425,364</b>	<b>(50,834)</b>	<b>(2)</b>	<b>1,342</b>	<b>4</b>	<b>321,894</b>	<b>-</b>
<b>Book value of net income (loss) for the period, recognized as equity pickup</b>	<b>425,364</b>	<b>(50,834)</b>	<b>(1)</b>	<b>671</b>	<b>2</b>	<b>321,894</b>	<b>-</b>

## Telefônica Brasil S. A.

## NOTES TO QUARTERLY INFORMATION

Six-month period ended June 30, 2015

(In thousands of reais, unless otherwise stated)

b) Changes in investments

	Balances at 12.31.14	Additions	Capital increase	Equity pickup	Dividends and interest on equity	Other comprehensive income (loss)	Balances at 06.30.15
<b><u>Interest held</u></b>	<b>1,229,827</b>	<b>2,629,649</b>	<b>2,766,694</b>	<b>375,202</b>	<b>(524,177)</b>	<b>4,630</b>	<b>6,481,825</b>
<b><u>Wholly-owned subsidiary</u></b>	<b>1,153,151</b>	<b>2,629,649</b>	<b>2,766,694</b>	<b>374,530</b>	<b>(524,177)</b>	<b>(580)</b>	<b>6,399,267</b>
TData	1,153,151	-	-	425,364	(524,177)	-	1,054,338
GVTPart.	-	2,629,649	2,766,694	(50,834)	-	(580)	5,344,929
<b><u>Jointly-controlled subsidiaries</u></b>	<b>76,676</b>	<b>-</b>	<b>-</b>	<b>672</b>	<b>-</b>	<b>5,210</b>	<b>82,558</b>
Aliança	68,129	-	-	2	-	5,210	73,341
AIX	8,542	-	-	671	-	-	9,213
ACT	5	-	-	(1)	-	-	4
<b>Goodwill (a)</b>	<b>212,058</b>	<b>12,033,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,245,921</b>
<b>Appreciation of net assets acquired attributed to Company</b>	<b>-</b>	<b>2,684,600</b>	<b>-</b>	<b>(47,750)</b>	<b>-</b>	<b>-</b>	<b>2,636,850</b>
<b><u>Other interest held</u></b>	<b>3,129</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(783)</b>	<b>2,346</b>
Other investments (b)	3,129	-	-	-	-	(783)	2,346
<b>Total investments in subsidiary</b>	<b>1,445,014</b>	<b>17,348,112</b>	<b>2,766,694</b>	<b>327,452</b>	<b>(524,177)</b>	<b>3,847</b>	<b>21,366,942</b>
Aliança	68,129	-	-	2	-	5,210	73,341
AIX	8,542	-	-	671	-	-	9,213
ACT	5	-	-	(1)	-	-	4
Other investments (b)	3,129	-	-	-	-	(783)	2,346
<b>Total investments – consolidated</b>	<b>79,805</b>	<b>-</b>	<b>-</b>	<b>672</b>	<b>-</b>	<b>4,427</b>	<b>84,904</b>

	Balances at 12.31.13	Equity pickup 323,353	Dividends and interest on equity (186,100)	Other comprehensive income (loss) (5,129)	Balances at 06.30.14	Equity pickup 419,275	Dividends and interest on equity (180,016)	Other comprehensive income (loss) 4,578
<b><u>Interest held</u></b>	<b>853,866</b>	<b>323,353</b>	<b>(186,100)</b>	<b>(5,129)</b>	<b>985,990</b>	<b>419,275</b>	<b>(180,016)</b>	<b>4,578</b>
<b><u>Wholly-owned</u></b>								
<b><u>subsidiary</u></b>	<b>778,289</b>	<b>321,894</b>	<b>(186,100)</b>	<b>-</b>	<b>914,083</b>	<b>413,794</b>	<b>(174,726)</b>	<b>-</b>
TData	778,289	321,894	(186,100)	-	914,083	413,794	(174,726)	-
<b><u>Jointly-controlled</u></b>								
<b><u>subsidiaries</u></b>	<b>75,577</b>	<b>1,459</b>	<b>-</b>	<b>(5,129)</b>	<b>71,907</b>	<b>5,481</b>	<b>(5,290)</b>	<b>4,578</b>
Aliança	68,607	63	-	(5,129)	63,541	10	-	4,578
AIX	6,965	1,396	-	-	8,361	5,471	(5,290)	-
ACT	5	-	-	-	5	-	-	-
<b>Goodwill (a)</b>	<b>212,058</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>212,058</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Other interest</u></b>								
<b><u>held</u></b>	<b>10,772</b>	<b>-</b>	<b>-</b>	<b>(4,571)</b>	<b>6,201</b>	<b>-</b>	<b>-</b>	<b>(3,072)</b>
Other investments (b)	10,772	-	-	(4,571)	6,201	-	-	(3,072)
<b>Total investments in subsidiary</b>	<b>1,076,696</b>	<b>323,353</b>	<b>(186,100)</b>	<b>(9,700)</b>	<b>1,204,249</b>	<b>419,275</b>	<b>(180,016)</b>	<b>1,506</b>
Aliança	68,607	63	-	(5,129)	63,541	10	-	4,578
AIX	6,965	1,396	-	-	8,361	5,471	(5,290)	-
ACT	5	-	-	-	5	-	-	-
Other investments (b)	10,772	-	-	(4,571)	6,201	-	-	(3,072)
<b>Total investments – consolidated</b>	<b>86,349</b>	<b>1,459</b>	<b>-</b>	<b>(9,700)</b>	<b>78,108</b>	<b>5,481</b>	<b>(5,290)</b>	<b>1,506</b>

(a) Goodwill: i) R\$212,058 from partial spin-off of “Spanish e Figueira”, which was reversed to the Company upon merger of Telefonica Data Brasil Holding S.A (TDBH) in 2006; and ii) R\$12,033,863 from acquisition of GVTPart. (Note 3).

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

## 12) PROPERTY AND EQUIPMENT, NET

a) Breakdown

At June 30, 2015

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**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**

	Company			Consolidated		
	Cost of property and equipment	Accumulated depreciation	Net balance	Cost of property and equipment	Accumulated depreciation	Net balance
Switching equipment	17,618,347	(14,767,764)	2,850,583	20,018,489	(15,769,077)	4,249,412
Transmission equipment and media	38,487,046	(27,568,727)	10,918,319	45,799,074	(29,750,487)	16,048,587
Terminal equipment/modem	11,232,904	(9,664,315)	1,568,589	14,456,064	(11,001,137)	3,454,927
Infrastructure	13,695,294	(10,269,008)	3,426,286	14,109,547	(10,377,762)	3,731,785
Land	312,912	-	312,912	315,513	-	315,513
Other property and equipment items	3,485,704	(2,781,361)	704,343	4,344,081	(3,276,270)	1,067,811
Estimated losses	(151,003)	-	(151,003)	(213,097)	-	(213,097)
Assets and construction in progress	1,311,173	-	1,311,173	1,418,857	-	1,418,857
<b>Total</b>	<b>85,992,377</b>	<b>(65,051,175)</b>	<b>20,941,202</b>	<b>100,248,528</b>	<b>(70,174,733)</b>	<b>30,073,795</b>

At December 31, 2014

	Company			Consolidated		
	Cost of property and equipment	Accumulated depreciation	Net balance	Cost of property and equipment	Accumulated depreciation	Net balance
Switching equipment	17,140,731	(14,599,055)	2,541,676	17,147,961	(14,606,044)	2,541,917
Transmission equipment and media	37,199,508	(26,990,931)	10,208,577	37,200,161	(26,991,399)	10,208,762
Terminal equipment/modem	10,838,174	(9,227,487)	1,610,687	10,882,788	(9,254,451)	1,628,337

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Infrastructure	13,486,180	(10,000,989)	3,485,191	13,497,058	(10,010,123)	3,486,935
Land	314,350	-	314,350	314,350	-	314,350
Other property and equipment items	3,394,231	(2,722,927)	671,304	3,549,258	(2,833,705)	715,553
Estimated losses	(156,592)	-	(156,592)	(156,728)	-	(156,728)
Assets and construction in progress	1,706,538	-	1,706,538	1,714,738	-	1,714,738
<b>Total</b>	<b>83,923,120</b>	<b>(63,541,389)</b>	<b>20,381,731</b>	<b>84,149,586</b>	<b>(63,695,722)</b>	<b>20,453,864</b>

b) Changes

	Company								
	Switching equipment	Transmission equipment and media	Terminal equipment / modem	Infrastructure	Land	Other property and equipment items	Estimated losses (a)	Assets and construction in progress	
<b>Balance at 12.31.13</b>	<b>2,364,940</b>	<b>8,432,306</b>	<b>1,455,849</b>	<b>3,466,208</b>	<b>314,558</b>	<b>598,308</b>	<b>(168,124)</b>	<b>1,913,860</b>	<b>18,000,000</b>
Additions (Capex)	6,470	48,618	92,717	16,738	-	32,801	-	2,094,453	2,000,000
Write-offs, net	(732)	(19,455)	(2,210)	(891)	-	(1,133)	6,095	(8,764)	
Net transfers	199,278	1,106,797	363,166	216,069	-	28,681	(484)	(1,983,378)	
Depreciation (Note 24)	(216,736)	(673,444)	(441,849)	(262,213)	-	(104,265)	-	-	(1,000,000)
<b>Balance at 06.30.14</b>	<b>2,353,220</b>	<b>8,894,822</b>	<b>1,467,673</b>	<b>3,435,911</b>	<b>314,558</b>	<b>554,392</b>	<b>(162,513)</b>	<b>2,016,171</b>	<b>18,000,000</b>
Additions (Capex)	5,572	55,272	57,399	30,508	-	128,499	-	3,011,107	3,000,000
Write-offs, net	(38)	(14,979)	(577)	(395)	(208)	(1,084)	5,921	(10,082)	
Net transfers	407,552	1,935,171	555,131	296,936	-	95,695	-	(3,310,658)	
Depreciation (Note 24)	(224,630)	(661,709)	(468,939)	(277,769)	-	(106,198)	-	-	(1,000,000)
<b>Balance at 12.31.14</b>	<b>2,541,676</b>	<b>10,208,577</b>	<b>1,610,687</b>	<b>3,485,191</b>	<b>314,350</b>	<b>671,304</b>	<b>(156,592)</b>	<b>1,706,538</b>	<b>20,000,000</b>
Additions (Capex)	6,546	67,753	59,409	23,165	-	93,723	-	2,137,297	2,000,000
Write-offs, net	(893)	(15,305)	(1,788)	(583)	(52)	(1,155)	5,589	(10,666)	
Net transfers	546,719	1,369,233	356,425	199,300	(1,386)	51,026	-	(2,521,996)	
Depreciation (Note 24)	(243,465)	(711,939)	(456,144)	(280,787)	-	(110,555)	-	-	(1,000,000)
	<b>2,850,583</b>	<b>10,918,319</b>	<b>1,568,589</b>	<b>3,426,286</b>	<b>312,912</b>	<b>704,343</b>	<b>(151,003)</b>	<b>1,311,173</b>	<b>20,000,000</b>

**Balance at  
06.30.15**

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## Telefônica Brasil S. A.

## NOTES TO QUARTERLY INFORMATION

Six-month period ended June 30, 2015

(In thousands of reais, unless otherwise stated)

	Consolidated								
	Switching equipment	Transmission equipment and media	Terminal equipment / modem	Infrastructure	Land	Other property and equipment items	Estimated losses (a)	Assets and construction in progress	
<b>Balance at 12.31.13</b>	<b>2,365,290</b>	<b>8,432,543</b>	<b>1,468,057</b>	<b>3,468,495</b>	<b>314,558</b>	<b>594,957</b>	<b>(169,979)</b>	<b>1,967,726</b>	<b>18</b>
Additions (Capex)	6,470	48,618	99,980	16,738	-	43,175	(505)	2,084,864	2
Write-offs, net	(732)	(19,455)	(2,210)	(891)	-	(1,133)	6,095	(9,687)	
Net transfers	199,278	1,106,797	363,165	216,069	-	56,536	(484)	(2,001,221)	
Depreciation (Note 24)	(216,791)	(673,470)	(445,633)	(262,485)	-	(109,274)	-	-	(1,)
<b>Balance at 06.30.14</b>	<b>2,353,515</b>	<b>8,895,033</b>	<b>1,483,359</b>	<b>3,437,926</b>	<b>314,558</b>	<b>584,261</b>	<b>(164,873)</b>	<b>2,041,682</b>	<b>18</b>
Additions (Capex)	5,572	55,272	63,448	30,508	-	129,641	505	3,020,696	3
Write-offs, net	(38)	(14,979)	(577)	(395)	(208)	(1,084)	7,640	(10,422)	
Net transfers	407,552	1,935,171	555,289	296,936	-	115,539	-	(3,337,218)	
Depreciation (Note 24)	(224,684)	(661,735)	(473,182)	(278,040)	-	(112,804)	-	-	(1,)
<b>Balance at 12.31.14</b>	<b>2,541,917</b>	<b>10,208,762</b>	<b>1,628,337</b>	<b>3,486,935</b>	<b>314,350</b>	<b>715,553</b>	<b>(156,728)</b>	<b>1,714,738</b>	<b>20</b>
Additions (Capex)	71,185	251,254	155,381	28,582	-	103,082	2,392	2,139,423	2
Write-offs, net	(893)	(14,774)	(1,788)	(823)	(52)	(1,155)	5,589	(17,742)	
Net transfers	659,592	1,291,223	364,446	84,019	(1,386)	153,065	-	(2,536,838)	
Depreciation (Note 24)	(306,015)	(786,601)	(484,563)	(288,183)	-	(152,541)	-	-	(2,)
Business combination (Note 3)	1,283,626	5,098,723	1,793,114	421,255	2,601	249,807	(64,350)	119,276	8
<b>Balance at 06.30.15</b>	<b>4,249,412</b>	<b>16,048,587</b>	<b>3,454,927</b>	<b>3,731,785</b>	<b>315,513</b>	<b>1,067,811</b>	<b>(213,097)</b>	<b>1,418,857</b>	<b>30</b>

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

c) Depreciation rates

Property and equipment items are depreciated on a straight-line basis at the following annual rate:

Description	Company	Consolidated
Switching equipment	10.00 to 20.00	6.67 to 20.00
Transmission equipment and media	5.00 to 20.00	2.50 to 25.00
Terminal equipment/modem	10.00 to 66.67	10.00 to 66.67
Infrastructure	2.50 to 66.67	2.50 to 66.67
Other property and equipment items	10.00 to 25.00	6.67 to 50.00

d) Property and equipment items given in guarantee

At June 30, 2015, the Company had consolidated amounts of property and equipment items given in guarantee for lawsuits, amounting to R\$198,131 (R\$130,000 at December 31, 2014).

e) Capitalization of borrowing costs

At June 30, 2015 and December 31, 2014, the Company and its subsidiaries did not capitalize borrowing costs, as there were no qualifying assets.

f) Reversible assets

The STFC service concession arrangement sets forth 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 assets and are deemed to be part of the service concession assets. These assets will be automatically returned to ANATEL upon termination of the service concession arrangement, according to

the regulation in force. At June 30, 2015, the estimated residual value of reversible assets was R\$7,728,456 (R\$7,639,587 at December 31, 2014), which comprised switching and transmission equipment and public use terminals, external network equipment, energy equipment and system and operation support equipment.

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**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**g) Finance lease

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 (%)	Cost of property and equipment	Company/Consolidated		Cost of property and equipment	Accumulated depreciation	Net balance
			06.30.15	12.31.14			
Transmission equipment and media	5%	209,935	(17,310)	192,625	209,935	(12,062)	197,873
Infrastructure	5%	6,674	(2,159)	4,515	5,279	(2,032)	3,247
Other assets	20%	116,945	(78,939)	38,006	78,295	(78,295)	-
<b>Total</b>		<b>333,554</b>	<b>(98,408)</b>	<b>235,146</b>	<b>293,509</b>	<b>(92,389)</b>	<b>201,120</b>

**13) INTANGIBLE ASSETS, NET**a) BreakdownAt June 30, 2015

Company

Consolidated

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	Cost of intangible assets	Accumulated amortization	Net balance	Cost of intangible assets	Accumulated amortization	Net balance
<b>Indefinite useful life</b>						
Goodwill	10,013,222	-	10,013,222	22,259,143	-	22,259,143
<b>Finite useful life</b>						
Software	11,625,471	(9,605,053)	2,020,418	12,230,426	(10,014,969)	2,215,457
Customer portfolio	1,990,278	(1,004,685)	985,593	4,404,278	(1,059,716)	3,344,562
Trademarks and patents	1,601,433	(317,291)	1,284,142	1,638,433	(323,457)	1,314,976
License	20,052,122	(3,956,691)	16,095,431	20,052,122	(3,956,691)	16,095,431
Other intangible assets	152,026	(151,994)	32	302,095	(164,079)	138,016
Software in progress	81,292	-	81,292	81,292	-	81,292
<b>Total</b>	<b>45,515,844</b>	<b>(15,035,714)</b>	<b>30,480,130</b>	<b>60,967,789</b>	<b>(15,518,912)</b>	<b>45,448,877</b>

## Telefônica Brasil S. A.

## NOTES TO QUARTERLY INFORMATION

Six-month period ended June 30, 2015

(In thousands of reais, unless otherwise stated)

At December 31, 2014

	Company			Consolidated		
	Cost of intangible assets	Accumulated amortization	Net balance	Cost of intangible assets	Accumulated amortization	Net balance
<b>Indefinite useful life</b>						
Goodwill	10,013,222	-	10,013,222	10,225,280	-	10,225,280
<b>Finite useful life</b>						
Software	11,242,808	(9,232,751)	2,010,057	11,279,547	(9,266,911)	2,012,636
Customer portfolio	1,990,278	(880,402)	1,109,876	1,990,278	(880,402)	1,109,876
Trademarks and patents	1,601,433	(275,187)	1,326,246	1,601,433	(275,187)	1,326,246
License	20,052,007	(3,505,409)	16,546,598	20,052,007	(3,505,409)	16,546,598
Other intangible assets	152,026	(151,913)	113	152,026	(151,913)	113
Software in progress	66,675	-	66,675	66,675	-	66,675
<b>Total</b>	<b>45,118,449</b>	<b>(14,045,662)</b>	<b>31,072,787</b>	<b>45,367,246</b>	<b>(14,079,822)</b>	<b>31,287,424</b>

b) Changes

	Indefinite useful life	Company				Other intangible assets	Software in progress	Total
		Customer portfolio	Trademarks and patents	Licenses	Finite useful life			
<u>Cost</u>	Goodwill	Software						

<b>Balance at</b>								
<b>12.31.13</b>	<b>10,013,222</b>	<b>1,983,624</b>	<b>1,358,442</b>	<b>1,410,453</b>	<b>14,474,566</b>	<b>336</b>	<b>46,348</b>	<b>29,286,991</b>
Additions								
(Capex)	-	211,873	-	-	-	-	104,109	315,982
Write-offs, net	-	(124)	-	-	-	-	-	(124)
Net transfers	-	115,662	-	-	42,893	-	(98,694)	59,861
Amortization (Note 24)	-	(381,722)	(124,283)	(42,104)	(375,445)	(135)	-	(923,689)
<b>Balance at</b>								
<b>06.30.14</b>	<b>10,013,222</b>	<b>1,929,313</b>	<b>1,234,159</b>	<b>1,368,349</b>	<b>14,142,014</b>	<b>201</b>	<b>51,763</b>	<b>28,739,021</b>
Additions								
(Capex)	-	285,300	-	-	2,770,320	-	163,230	3,218,850
Net transfers	-	175,049	-	-	-	-	(148,318)	26,731
Amortization	-	(379,605)	(124,283)	(42,103)	(365,736)	(88)	-	(911,815)
<b>Balance at</b>								
<b>12.31.14</b>	<b>10,013,222</b>	<b>2,010,057</b>	<b>1,109,876</b>	<b>1,326,246</b>	<b>16,546,598</b>	<b>113</b>	<b>66,675</b>	<b>31,072,787</b>
Additions								
(Capex)	-	220,836	-	-	116	-	193,728	414,680
Write-offs, net	-	(8)	-	-	-	-	-	(8)
Net transfers	-	179,790	-	-	-	-	(179,111)	679
Amortization (Note 24)	-	(390,257)	(124,283)	(42,104)	(451,283)	(81)	-	(1,008,008)
<b>Balance at</b>								
<b>06.30.15</b>	<b>10,013,222</b>	<b>2,020,418</b>	<b>985,593</b>	<b>1,284,142</b>	<b>16,095,431</b>	<b>32</b>	<b>81,292</b>	<b>30,480,130</b>

## Consolidated

	Indefinite useful life		Finite useful life			Other intangible assets	Software in progress	Total
	Goodwill	Software	Customer portfolio	Trademarks and patents	Licenses			
<u>Cost</u>								
<b>Balance at</b>								
<b>12.31.13</b>	<b>10,225,280</b>	<b>1,987,634</b>	<b>1,358,442</b>	<b>1,410,453</b>	<b>14,474,566</b>	<b>336</b>	<b>46,348</b>	<b>29,503,059</b>
Additions								
(Capex)	-	212,430	-	-	-	-	104,109	316,539
Write-offs, net	-	(124)	-	-	-	-	-	(124)
Net transfers	-	115,662	-	-	42,893	-	(98,694)	59,861
Amortization (Note 24)	-	(382,770)	(124,283)	(42,104)	(375,445)	(135)	-	(924,737)
<b>Balance at</b>								
<b>06.30.14</b>	<b>10,225,280</b>	<b>1,932,832</b>	<b>1,234,159</b>	<b>1,368,349</b>	<b>14,142,014</b>	<b>201</b>	<b>51,763</b>	<b>28,954,598</b>
Additions								
(Capex)	-	285,300	-	-	2,770,320	-	163,230	3,218,850
Net transfers	-	175,049	-	-	-	-	(148,318)	26,731

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Amortization	-	(380,545)	(124,283)	(42,103)	(365,736)	(88)	-	(912,755)
<b>Balance at</b>								
<b>12.31.14</b>	<b>10,225,280</b>	<b>2,012,636</b>	<b>1,109,876</b>	<b>1,326,246</b>	<b>16,546,598</b>	<b>113</b>	<b>66,675</b>	<b>31,287,424</b>
Additions								
(Capex)	-	229,935	-	-	116	-	193,728	423,779
Write-offs,								
net	-	(9)	-	-	-	-	-	(9)
Net transfers	-	164,990	-	-	-	-	(179,111)	(14,121)
Amortization								
(Note 24)	-	(401,146)	(179,314)	(48,270)	(451,283)	(2,074)	-	(1,082,087)
Business								
combination								
(Note 3)	12,033,863	209,051	2,414,000	37,000	-	139,977	-	14,833,891
<b>Balance at</b>								
<b>06.30.15</b>	<b>22,259,143</b>	<b>2,215,457</b>	<b>3,344,562</b>	<b>1,314,976</b>	<b>16,095,431</b>	<b>138,016</b>	<b>81,292</b>	<b>45,448,877</b>

Breakdown of goodwill at June 30, 2015 and December 31, 2014 is as follows:



**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**

	Company	Consolidated
Ajato Telecomunicação Ltda.	149	149
Spanish e Figueira (incorporado da TDBH) (a)	-	212,058
Santo Genovese Participações Ltda. (b)	71,892	71,892
Telefônica Televisão Participações S.A. (c)	780,693	780,693
Vivo Participações S. A. (d)	9,160,488	9,160,488
GVT Participações S. A. (e)	-	12,033,863
<b>Total</b>	<b>10,013,222</b>	<b>22,259,143</b>

(a) Goodwill from partial spin-off of "Spanish e Figueira", which was reversed to the Company upon merger of Telefonica Data Brasil Holding S.A (TDBH) in 2006.

(b) Goodwill generated upon acquisition of the controlling interest of Santo Genovese Participações (parent company of Atrium Telecomunicações Ltda.), in 2004

(c) Goodwill generated upon acquisition of Telefônica Televisão Participações (formerly Navytree) merged in 2008, based on a future profitability analysis.

(d) Goodwill generated upon acquisition/merger of Vivo Participações in 2011.

(e) Goodwill generated upon acquisition of GVT Participações in 2015 (Note 3).

c) Amortization rates

The Company's finite-lived intangible assets are amortized on a straight-line basis, at the following annual rates:

Description	Company	Consolidated
Independent auditor's report on interim financial statements		73

Software	20.00	20.00
Customer portfolio	11.76	11.76 to 12.99
Trademarks and patents	5.13	5.13 to 66.67
Licenses	3.60 to 6.67	3.60 to 6.67
Other intangible assets	20.00	5.00 to 20.00

**14) PERSONNEL, SOCIAL CHARGES AND BENEFITS**

	Company		Consolidated	
	06.30.15	12.31.14	06.30.15	12.31.14
Salaries and compensations	23,201	27,754	29,600	27,754
Social charges and benefits	332,831	267,736	478,814	271,082
Employees' profit sharing	128,452	197,019	161,600	199,284
Share-based payment plans (Note 31)	22,214	18,793	22,226	18,793
Other indemnities	56,339	193,297	56,339	193,297
<b>Total</b>	<b>563,037</b>	<b>704,599</b>	<b>748,579</b>	<b>710,210</b>
Current	484,484	585,770	670,014	591,381
Noncurrent	78,553	118,829	78,565	118,829

## Telefônica Brasil S. A.

## NOTES TO QUARTERLY INFORMATION

Six-month period ended June 30, 2015

(In thousands of reais, unless otherwise stated)

## 15) TRADE ACCOUNTS PAYABLE

	Company		Consolidated	
	06.30.15	12.31.14	06.30.15	12.31.14
Sundry trade accounts payable	6,204,765	6,521,830	7,080,269	6,794,000
Amounts payable	142,218	103,016	158,554	102,915
Interconnection / interlink	376,839	445,192	404,234	445,192
Related parties (Note 28)	643,734	605,594	390,667	299,084
<b>Total</b>	<b>7,367,556</b>	<b>7,675,632</b>	<b>8,033,724</b>	<b>7,641,191</b>

## 16) TAXES, CHARGES AND CONTRIBUTIONS

	Company		Consolidated	
	06.30.15	12.31.14	06.30.15	12.31.14
<b>Taxes on income</b>	-	-	<b>36,440</b>	<b>16,355</b>
Income and social contribution taxes payable	-	-	36,440	16,355
<b>Indirect taxes</b>	<b>1,143,518</b>	<b>1,277,709</b>	<b>1,557,386</b>	<b>1,332,444</b>
ICMS	873,766	968,800	1,073,709	969,953
PIS and COFINS	183,655	194,627	334,595	236,556
Fust and Funttel	34,128	35,975	83,613	35,975
ISS, CIDE and other taxes	51,969	78,307	65,469	89,960
<b>Total</b>	<b>1,143,518</b>	<b>1,277,709</b>	<b>1,593,826</b>	<b>1,348,799</b>
Current	1,085,837	1,236,330	1,508,145	1,281,673
Noncurrent	57,681	41,379	85,681	67,126

## 17) DIVIDENDS AND INTEREST ON EQUITY (IOE)

a) Dividends and interest on equity receivable

The Company had dividends receivable from TData amounting to R\$174,726 at December 31, 2014.

Changes:

<b>Balance at 12.31.14</b>	Company <b>174,726</b>
Additional dividends for 2014	524,177
Dividends and IOE received	(698,903)
<b>Balance at 06.30.15</b>	<b>-</b>

For the cash flow statement, interest on equity and dividends received from the subsidiary are allocated to "Investing Activities".

b) Dividends and interest on equity payable

Breakdown:

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**Telefônica Brasil S. A.****NOTES TO QUARTERLY INFORMATION****Six-month period ended June 30, 2015****(In thousands of reais, unless otherwise stated)**

	Company/Consolidated	
	06.30.15	12.31.14
Telefónica Internacional S.A.	768,858	316,008
Telefónica S.A.	647,569	261,318
SP Telecomunicações Participações Ltda	509,348	198,350
Telefónica Chile S.A.	1,551	626
Noncontrolling interest	1,147,912	719,019
<b>Total</b>	<b>3,075,238</b>	<b>1,495,321</b>

Changes:

	Company/ Consolidated
<b>Balance at 12.31.14</b>	<b>1,495,321</b>
Additional dividends for 2014	2,768,592
Interim dividends and IOE (net of IRRF)	707,750
Unclaimed dividends and IOE	(58,623)
Payments of dividends and IOE	(1,841,617)
IRRF on IOE-exempt/immune shareholders	3,815
<b>Balance at 06.30.15</b>	<b>3,075,238</b>

For the cash flow statement, interest on equity and dividends paid to shareholders is recognized in "Financing Activities".

Interest on equity and dividends not claimed by shareholders expire within three years as from the initial payment date. Should dividends and interest on equity expire, these amounts are recorded against equity for subsequent distribution.

**18) PROVISIONS AND CONTINGENCIES**

Independent auditor's report on interim financial statements

The Company, as an entity and also as successor to the merged companies, and its subsidiaries are parties in administrative proceedings and labor, tax and civil claims filed in different courts. The management of Company and its subsidiaries, based on the opinion of its legal advisors, recognized provisions for lawsuits for which an unfavorable outcome is considered probable.

Breakdown of and changes in provisions, whose unfavorable outcome is probable, in addition to contingent liabilities and provision for dismantling, are as follows:

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## Telefônica Brasil S. A.

## NOTES TO QUARTERLY INFORMATION

Six-month period ended June 30, 2015

(In thousands of reais, unless otherwise stated)

	Company					Provision for decommissioning (b)	Total
	Provisions for contingencies						
	Labor	Tax	Civil and regulatory	Contingent liability (PPA) (a)			
<b>Balances at 12.31.13</b>	<b>988,180</b>	<b>2,133,934</b>	<b>970,403</b>	<b>275,677</b>	<b>235,998</b>	<b>4,604,192</b>	
Inflows	89,821	151,398	223,862	-	19,517	484,598	
Write-offs due to payment	(58,002)	(35,636)	(54,533)	-	-	(148,171)	
Write-offs due to reversal	(19,746)	(19,981)	(67,460)	(10,716)	(5,558)	(123,461)	
Monetary restatement	19,309	81,103	55,817	9,676	-	165,905	
<b>Balances at 06.30.14</b>	<b>1,019,562</b>	<b>2,310,818</b>	<b>1,128,089</b>	<b>274,637</b>	<b>249,957</b>	<b>4,983,063</b>	
Inflows	143,834	19,955	308,597	-	117,565	589,951	
Write-offs due to payment	(141,666)	(31,996)	(174,808)	-	-	(348,470)	
Write-offs due to reversal	(43,629)	(6,917)	(110,001)	(6,239)	(120,593)	(287,379)	
Monetary restatement	35,025	88,038	45,594	9,210	-	177,867	
<b>Balances at 12.31.14</b>	<b>1,013,126</b>	<b>2,379,898</b>	<b>1,197,471</b>	<b>277,608</b>	<b>246,929</b>	<b>5,115,032</b>	
Inflows	203,399	122,274	352,722	-	37,332	715,727	
Write-offs due to payment	(141,788)	-	(191,195)	-	-	(332,983)	
Write-offs due to reversal	(36,855)	(22)	(110,728)	(7,332)	(8,143)	(163,080)	
Monetary restatement	46,127	103,268	87,554	5,512	-	242,461	
<b>Balances at 06.30.15</b>	<b>1,084,009</b>	<b>2,605,418</b>	<b>1,335,824</b>	<b>275,788</b>	<b>276,118</b>	<b>5,577,157</b>	
At 06.30.15							
Current	123,151	-	654,472	-	-	777,623	
Noncurrent	960,858	2,605,418	681,352	275,788	276,118	4,799,534	
At 12.31.14							
Current	124,599	-	549,677	-	-	674,276	
Noncurrent	888,527	2,379,898	647,794	277,608	246,929	4,440,756	

	Consolidated					Provision for decommissioning (b)	Total
	Provisions for contingencies						
	Labor	Tax	Civil and regulatory	Contingent liability (PPA) (a)			
<b>Balances at 12.31.13</b>	<b>988,180</b>	<b>2,148,800</b>	<b>970,403</b>	<b>275,677</b>	<b>240,753</b>	<b>4,623,813</b>	

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Inflows	89,821	151,412	223,862	-	19,517	484,612
Write-offs due to payment	(58,002)	(35,636)	(54,533)	-	-	(148,171)
Write-offs due to reversal	(19,746)	(19,981)	(67,460)	(10,716)	(5,558)	(123,461)
Monetary restatement	19,309	81,717	55,817	9,676	-	166,519
<b>Balances at 06.30.14</b>	<b>1,019,562</b>	<b>2,326,312</b>	<b>1,128,089</b>	<b>274,637</b>	<b>254,712</b>	<b>5,003,312</b>
Inflows	143,834	19,954	308,597	-	117,565	589,950
Write-offs due to payment	(141,666)	(31,996)	(174,808)	-	-	(348,470)
Write-offs due to reversal	(43,629)	(6,917)	(110,001)	(6,239)	(120,593)	(287,379)
Monetary restatement	35,025	88,688	45,594	9,210	-	178,517
<b>Balances at 12.31.14</b>	<b>1,013,126</b>	<b>2,396,041</b>	<b>1,197,471</b>	<b>277,608</b>		