TELEFONICA BRASIL S.A.
Form 6-K
July 30, 2018

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

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

For the month of July, 2018

Commission File Number: 001-14475

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

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

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

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

Form 20-F	X	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	X

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

TELEFÔNICA BRASIL S.A.

QUARTERLY INFORMATION

JUNE 30, 2018

(A free translation of the original in Portuguese)

Independent auditor's report

Report on review of quarterly information

To the Board of Directors and Shareholders

Telefônica Brasil S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Telefônica Brasil S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2018, comprising the balance sheet as at that date and the income statements and other comprehensive income for the quarter and six-month periods then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and ISRE 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently 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 parent company interim information

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

Conclusion on the consolidated interim information

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

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2018. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo, July 20, 2018

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5

Estela Maris Vieira de Souza

Contadora CRC 1RS046957/O-3

TELEFÔNICA BRASIL S.A.

Balance Sheets
At June 30, 2018 and December 31, 2017
(In thousands of reais)

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		Company		Consolidated				Compa
ASSETS	**Note**	**06.30.18**	**12.31.17**	**06.30.18**	**12.31.17**	**LIABILITIES AND EQUITY**	**Note**	**06.30.18**
Current assets		**17,655,390**	**16,668,039**	**17,659,616**	**16,731,666**	**Current liabilities**		**20,595,723**
Cash and cash equivalents	3	3,866,359	3,681,173	4,429,805	4,050,338	Personnel, social charges and benefits	14	655,308
Trade accounts receivable	4	8,705,375	8,413,403	8,619,214	8,588,466	Trade accounts payable	15	9,606,050
Inventories	5	464,334	324,711	491,358	348,755	Income and social contribution taxes payable	6	32,979
Income and social contribution taxes recoverable	6	450,114	401,259	523,167	505,535	Taxes, charges and contributions payable	16	1,659,290
Taxes, charges and contributions recoverable	7	1,843,176	1,984,999	1,856,724	2,058,455	Dividends and interest on equity	17	4,852,484
Judicial deposits and garnishments	8	301,521	324,465	301,743	324,638	Provisions	18	1,269,257
Prepaid expenses	9	1,020,507	425,298	1,037,835	446,439	Deferred revenue	19	521,370
Dividends and interest on equity	17	426,709	323,206	-	-	Loans and financing	20	1,453,296
Derivative financial instruments	30	109,149	87,643	109,196	87,643	Debentures	20	83,975
Other assets	10	468,146	701,882	290,574	321,397	Derivative financial instruments	30	19,542

						Other liabilities	21	442,172
Non-current assets		**87,855,954**	**85,495,114**	**86,981,419**	**84,651,169**			
Long-term assets						**Non-current liabilities**		**13,833,923**
Short-term investments pledged as collateral		86,843	81,472	86,843	81,486	Personnel, social charges and benefits	14	-
Trade accounts receivable	4	181,793	167,682	330,925	273,888	Taxes, charges and contributions payable	16	17,296
Deferred taxes	6	-	-	404,781	371,408	Deferred taxes	6	2,030,136
Taxes, charges and contributions recoverable	7	4,592,038	740,104	4,650,869	743,285	Provisions	18	5,636,051
Judicial deposits and garnishments	8	4,826,057	6,155,821	5,012,724	6,339,167	Deferred revenue	19	369,117
Prepaid expenses	9	89,102	21,684	91,823	23,116	Loans and financing	20	1,853,682
Derivative financial instruments	30	34,322	76,762	34,322	76,762	Debentures	20	3,115,010
Other assets	10	61,837	86,345	62,423	88,935	Derivative financial instruments	30	18,274
Investments	11	**2,121,278**	**1,949,276**	**110,465**	**98,902**	Other liabilities	21	794,357
Property, plant and equipment	12	**33,370,060**	**33,112,532**	**33,473,083**	**33,222,316**			
Intangible assets	13	**42,492,624**	**43,103,436**	**42,723,161**	**43,331,904**	**TOTAL LIABILITIES**		**34,429,646**
						Equity		**71,081,698**
						Capital	22	63,571,416
						Capital reserves	22	1,213,522
						Income reserves	22	2,468,775
						Other comprehensive income	22	31,359
						Retained earnings	22	3,796,626
						Additional proposed dividends	22	-

TOTAL ASSETS	**105,511,344**	**102,163,153**	**104,641,035**	**101,382,835**	**TOTAL LIABILITIES AND EQUITY**	**105,511,344**

TELEFÔNICA BRASIL S.A.
Income Statements
Three and six-month periods ended June 30, 2018 and 2017

(In thousands of reais, except earnings per share) (A free translation of the origin

		Company				Consolidated		
		Three-month periods ended		Six-month periods ended		Three-month periods ended		Six-month
	Note	06.30.18	06.30.17	06.30.18	06.30.17	06.30.18	06.30.17	06.30.
Net operating revenue	23	**9,019,489**	**10,054,580**	**18,162,289**	**20,134,226**	**10,823,398**	**10,697,193**	**21,612,3**
Cost of sales and services	24	(4,927,372)	(4,796,315)	(9,653,109)	(9,575,713)	(5,303,716)	(5,018,398)	(10,324,64
Gross profit		**4,092,117**	**5,258,265**	**8,509,180**	**10,558,513**	**5,519,682**	**5,678,795**	**11,287,7**
Operating income (expenses)		**(1,752,314)**	**(4,071,014)**	**(5,210,798)**	**(8,023,853)**	**(2,329,147)**	**(4,107,601)**	**(6,301,00**
Selling expenses	24	(3,061,185)	(3,288,205)	(6,076,884)	(6,444,193)	(3,291,686)	(3,305,711)	(6,490,38
General and administrative expenses	24	(662,042)	(588,247)	(1,213,117)	(1,204,477)	(670,836)	(596,956)	(1,271,65
Other operating income	25	2,386,211	65,366	2,704,004	179,557	2,145,347	66,497	2,234,7
Other operating expenses	25	(415,298)	(259,928)	(624,801)	(554,740)	(511,972)	(271,431)	(773,74
Operating profit		**2,339,803**	**1,187,251**	**3,298,382**	**2,534,660**	**3,190,535**	**1,571,194**	**4,986,7**
Financial income	26	1,997,241	451,443	2,247,471	977,067	2,048,551	480,998	2,327,5
Financial expenses	26	(568,546)	(732,166)	(1,013,845)	(1,571,420)	(577,441)	(745,284)	(1,029,16
Equity in results of investees	11	578,892	262,926	1,146,820	424,784	62	544	6
		4,347,390	**1,169,454**	**5,678,828**	**2,365,091**	**4,661,707**	**1,307,452**	**6,285,7**

Income before taxes								
Income and social contribution taxes	6	(1,181,093)	(296,532)	(1,414,512)	(495,972)	(1,495,410)	(434,530)	(2,021,40
Net income for the period		**3,166,297**	**872,922**	**4,264,316**	**1,869,119**	**3,166,297**	**872,922**	**4,264,3**
Basic and diluted earnings per common share (in R$)	22	1.76	0.48	2.37	1.04			
Basic and diluted earnings per preferred share (in R$)	22	1.93	0.53	2.61	1.14			

TELEFÔNICA BRASIL S.A.
Statements of Changes in Equity
Six-month periods ended June 30, 2018 and 2017
(In thousands of reais)

		Capital r
	Capital	**Special goodwill reser**
Balances at December 31, 2016	**63,571,416**	**63,0**
Payment of additional dividend for 2016	-	
Unclaimed dividends and interest on equity	-	
Repurchase of preferred shares	-	
Preferred shares delivered referring to the judicial process of expansion plan	-	
Transfer of tax incentives	-	
Other comprehensive income	-	
Net income for the period	-	
Interim interest on equity	-	
Balances at June 30, 2017	**63,571,416**	**63,0**
Unclaimed dividends and interest on equity	-	
Repurchase of preferred shares	-	
Transfer of tax incentives	-	
Other comprehensive income	-	
Equity transactions (Note 1 c)	-	
Net income for the period	-	
Allocation of income:		
Legal reserve	-	
Interim interest on equity	-	
Reversal of expansion and Modernization Reserve	-	
Expansion and Modernization Reserve	-	
Additional proposed dividends	-	
Balances at December 31, 2017	**63,571,416**	**63,0**
Effects of the initial adoption of IFRS 9 and 15, net of taxes	-	
Payment of additional dividend for 2017	-	
Unclaimed dividends and interest on equity	-	
Transfer of tax incentives	-	
Other comprehensive income	-	
Net income for the period	-	
Interim interest on equity	-	
Balances at June 30, 2018	**63,571,416**	**63,0**

TELEFÔNICA BRASIL S.A.
Statements of Other Comprehensive Income
Three and six-month periods ended June 30, 2018 and 2017

(In thousands of reais)

		Company		
		Three-month periods ended		Six-
	Note	06.30.18	06.30.17	06.3
Net income for the period		**3,166,297**	**872,922**	**4,264**
Other comprehensive income (losses) that may be reclassified into income (losses) in subsequent periods		**7,847**	**6,666**	**10**
Unrealized gains on investments available for sale	11	(171)	(131)	
Gains (losses) on derivative financial instruments	30	(712)	(2,164)	(1
Taxes		300	780	
Cumulative Translation Adjustments (CTA) on transactions in foreign currency	11	8,407	8,181	11
Interest in comprehensive income of subsidiaries	11	23	-	
Other comprehensive income		**7,847**	**6,666**	**10**
Comprehensive income for the period - net of taxes		**3,174,144**	**879,588**	**4,274**

TELEFÔNICA BRASIL S.A.

Consolidated Statements of Cash Flows
Six-month periods ended June 30, 2018 and 2017

(In thousands in reais)

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	Company		Conso
	Six-month periods ended		
	06.30.18	**06.30.17**	**06.30.18**
Cash flows from operating activities			
Income before taxes	**5,678,828**	**2,365,091**	**6,285,724**
Ajustement for:			
Depreciation and amortization	3,993,847	3,887,106	4,011,150
Foreign exchange gains on loans and derivative financial instruments	31,486	54,286	32,924
Monetary assets and liabilities	325,154	327,745	325,054
Equity pickup	(1,146,820)	(424,784)	(627)
Loss (gains) on write-off/sale of assets	31,135	10,791	31,263
Provision for impairment - accounts receivable	664,735	682,800	766,722
Change in liability provisions	(185,477)	121,672	(134,407)
Write-off and reversals for impairment - inventories	(23,364)	(36,005)	(24,432)
Pension plans and other post-retirement benefits	23,728	15,410	24,573
Provisions for tax, civil, labor and regulatory contingencies	455,485	448,505	463,172
Interest expense	265,103	529,876	265,103
Others	(11,560)	6,205	(11,560)
Changes in assets and liabilities			
Trade accounts receivable	(1,168,929)	(758,408)	(1,084,947)
Inventories	(116,259)	44,200	(119,272)
Taxes recoverable	(3,882,043)	(193,192)	(3,892,119)
Prepaid expenses	(478,211)	(425,483)	(475,687)
Other assets	220,104	(19,953)	20,057
Personnel, social charges and benefits	(15,297)	(17,386)	(14,773)
Trade accounts payable	1,314,422	(4,952)	896,588
Taxes, charges and contributions	52,923	286,211	159,546
Provisions for tax, civil, labor and regulatory contingencies	(1,869,354)	(623,364)	(1,877,295)
Other liabilities	(123,306)	(603,864)	(115,727)
	(1,642,498)	**3,307,416**	**(754,694)**
Cash generated from operations	**4,036,330**	**5,672,507**	**5,531,030**
Interest paid	(296,721)	(398,438)	(296,721)
Income and social contribution taxes paid	-	-	(323,357)
Net cash (used in) generated by operating activities	**3,739,609**	**5,274,069**	**4,910,952**

Cash flows from investing activities			
Additions to PP&E and intangible assets and others	(3,609,882)	(4,091,019)	(3,726,926)
Cash received from sale of PP&E items	1,468	16,721	1,468
Redemption of (increase in) judicial deposits	1,353,488	(46,215)	1,354,074
Dividends and interest on equity received	860,000	-	-
Net cash (used in) generated by investing activities	**(1,394,926)**	**(4,120,513)**	**(2,371,384)**
Cash flows from financing activities			
Payment of loans, financing and debentures	(2,191,600)	(1,223,083)	(2,191,600)
Loans and financing obtained	-	2,039,878	-
Received of derivative financial instruments	60,412	50,927	60,728
Payment of derivative financial instruments	(27,660)	(131,411)	(28,580)
Dividend and interest on equity paid	(649)	(671)	(649)
Treasury shares	-	(2)	-
Net cash (used in) generated by financing activities	**(2,159,497)**	**735,638**	**(2,160,101)**
Increase (decrease) in cash and cash equivalents	**185,186**	**1,889,194**	**379,467**
Cash and cash equivalents at the beginning of the year	**3,681,173**	**4,675,627**	**4,050,338**
Cash and cash equivalents at the end of the year	**3,866,359**	**6,564,821**	**4,429,805**

TELEFÔNICA BRASIL S.A.
Statements of Value Added
Six-month periods ended June 30, 2018 and 2017

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(In thousands in reais)

	Company		Consolida
	Six-month periods ended		
	06.30.18	06.30.17	06.30.18
Revenues	**27,635,567**	**28,190,119**	**30,822,497**
Sale of goods and services	25,104,811	28,335,138	29,008,073
Other revenues	3,195,491	537,781	2,581,146
Impairment losses of trade accounts receivable	(664,735)	(682,800)	(766,722)
Inputs acquired from third parties	**(9,291,219)**	**(9,398,203)**	**(10,166,304)**
Cost of goods and products sold and services rendered	(4,826,228)	(4,681,846)	(5,569,673)
Materials, electric energy, third-party services and other expenses	(4,457,220)	(4,711,195)	(4,589,800)
Loss/recovery of assets	(7,771)	(5,162)	(6,831)
Gross value added	**18,344,348**	**18,791,916**	**20,656,193**
Withholdings	**(3,993,847)**	**(3,887,106)**	**(4,011,150)**
Depreciation and amortization	(3,993,847)	(3,887,106)	(4,011,150)
Net value added produced	**14,350,501**	**14,904,810**	**16,645,043**
Value added received in transfer	**3,394,291**	**1,401,851**	**2,328,174**
Equity pickup	1,146,820	424,784	627
Financial income	2,247,471	977,067	2,327,547
Total undistributed value added	**17,744,792**	**16,306,661**	**18,973,217**
Distribution of value added	**(17,744,792)**	**(16,306,661)**	**(18,973,217)**
Personnel,social charges and benefits	(2,121,738)	(2,016,616)	(2,391,271)
Direct compensation	(1,532,379)	(1,373,761)	(1,694,920)
Benefits	(502,281)	(537,305)	(593,951)
Government Severance Indemnity Fund for Employees (FGTS)	(87,078)	(105,550)	(102,400)
Taxes, charges and contributions	(8,870,921)	(9,471,638)	(9,802,398)
Federal	(3,438,638)	(2,712,978)	(4,290,775)
State	(5,351,008)	(6,714,322)	(5,363,705)
Local	(81,275)	(44,338)	(147,918)
Debt remuneration	(2,487,817)	(2,949,288)	(2,515,232)
Interest	(915,518)	(1,539,760)	(927,663)
Rental	(1,572,299)	(1,409,528)	(1,587,569)

Equity remuneration	(4,264,316)	(1,869,119)	(4,264,316)	[illegible]
Retained profit	(4,264,316)	(1,869,119)	(4,264,316)	[illegible]

(A free translation of the original in Portuguese)

Telefônica Brasil S. A.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Three and six-month periods ended June 30, 2018

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

1) OPERATIONS

a) Background information

Telefônica Brasil S.A. (“Company” or “Telefônica Brasil”) is a publicly held 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 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 the Telefónica Group (“Group”), with headquarters in Spain and present in several countries of Europe and Latin America.

At June 30, 2018 and December 31, 2017, Telefónica S.A. (“Telefónica”), the Group holding company, held total direct and indirect interest in the Company of 73.58% (Note 22).

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

b) Operations

The Company operates in the rendering of: (i) Fixed Switched Telephone Service Concession Arrangement ("STFC"); (ii) Multimedia Communication Service ("SCM", data communication, including broadband internet); (iii) Personal Mobile Service ("SMP"); and (iv) Conditioned Access Service ("SEAC" - Pay TV), throughout Brazil, through concessions and authorizations, as established in the General Plan of Concessions ("PGO").

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

In accordance with the STFC service concession agreement, every two years, during the agreement's 20-year term, the Company shall pay a fee equivalent to 2% of its prior-year STFC revenue, net of applicable taxes and social contribution taxes (Note 21). The Company's current STFC concession agreement is valid until December 31, 2025.

In accordance with the authorization terms for the usage of radio frequencies associated with SMP, every two years after the first renewal of these agreements, the Company shall pay a fee equivalent to 2% of its prior-year SMP revenue, net of applicable taxes and social contribution taxes (Note 21), and in the 15th year the Company will pay 1% of its prior-year revenue. The calculation will consider the net revenue from the application of Basic and Alternative Services Plans. These agreements can be extended only once for a term of 15 years.

The information on a summary of the authorizations for the use of radiofrequency bands for SMP granted to the Company is the same as in Note 1b) Operations, as disclosed in the financial statements for the year ended December 31, 2017.

c) Acquisition of a Wholly-Owned Subsidiary - 2017

The information on the acquisition process of Terra Networks Brasil SA ("Terra Networks") by Telefônica Data SA ("TData"), a wholly owned subsidiary of the Company, occurred on July 3, 2017, is the same as in Note 1.c .1) Acquisition of Company by Integral Subsidiary - 2017, disclosed in the financial statements for the year ended December 31, 2017.

(A free translation of the original in Portuguese)

Telefônica Brasil S. A.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Three and six-month periods ended June 30, 2018

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

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

a) Statement of compliance

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

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

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

b) Basis of preparation and presentation

The Company’s quarterly financial statements for the six-month period ended June 30, 2018 are presented in thousands of *Reais* (unless otherwise stated), which is the functional currency of the Company.

These quarterly financial statements compares the quarters ended June 30, 2018 and 2017, except for the balance sheets, that compare the positions as at June 30, 2018 and December 31, 2017.

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

The Board of Directors authorized the issue of these individual and consolidated financial statements at the meeting held on July 20, 2018.

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

The information in the notes to the financial statements that did not significantly change or present irrelevant disclosures as compared to December 31, 2017 were not fully repeated in these quarterly financial statements. However, the Company selected and included information to explain the main events and transactions occurring during the six-month period ended June 30, 2018, so that the changes in the Company's financial position and performance can be understood.

In this context, the Company indicates below the reference to the notes disclosed in the annual financial statements as at December 31, 2017 and not fully repeated in these quarterly financial statements:

- Note 1 -   Operations
- Note 2 -   Basis of Preparation and Presentation of Financial Statements
- Note 3 -   Summary of Significant Accounting Practices

- Note 13 - Intangible Assets, Net
- Note 22 - Equity

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- Note 29 - Share-Based Payment Plans
- Note 30 – Pension Plans and Other Post-Employment Benefits

The quarterly financial statements were prepared in accordance with the principles, practices and accounting criteria consistent with those adopted in the preparation of the financial statements for the fiscal year ended December 31, 2017 (Note 3) Summary of Significant Accounting Practices) and should be analyzed in conjunction with these Financial statements, except for the changes required by the new pronouncements, interpretations and amendments, which came into effect as of January 1, 2018, as described below:

Standards and amendments	
IFRS 9	Financial Instruments
IFRS15	Revenue from Contracts with Customers
Clarifications to IFRS 15	Revenue from Contracts with Customers , issued on April 12, 2016
Amendments to IFRS 2	Classication and Valuation of Share Based Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of Investiment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Improvements to IFRS Standards	2014-2016 Cycle

The adoption of many of these standards, changes and interpretations did not have a significant impact on the financial position of the Company and its subsidiaries in the initial period of application. However, for the IFRS 9 and IFRS 15, there was a significant impact on the consolidated financial position at the time of its adoption and prospectively.

IFRS 15 Revenues from Contracts with Customers

With the adoption of IFRS 15, for bundled packages that combine multiple wireline, wireless, data, internet or television goods or services, the total revenue is now allocated to each performance obligation based on their standalone selling prices in relation to the total consideration of the package and will be recognized when (or as) the obligation is satisfied, regardless of whether there are undelivered items. Consequently, when bundles include a discount on equipment, there is an increase in revenues recognized from the sale of handsets and other equipment, in detriment of ongoing service revenue over subsequent periods. To the extent that the packages are marketed at a discount, the difference between the revenue from the sale of equipment and the consideration received from the customer upfront is recognised as a *contract asset* in the statement of financial position.

All incremental costs to obtain a contract (sales commissions and other acquisition costs of third parties) are accounted for as prepaid expenses (assets) and amortized over the same period as the revenue associated with that asset. Similarly, certain contract fulfillment costs are also deferred to the extent that they relate to performance obligations that are satisfied over time.

Revenue from the sale of handsets to dealers is accounted for at the time of delivery and not at the time of sale to the final customer.

Certain changes of the contract have been accounted for as a retrospective change (i.e. as a continuation of the original contract), while other modifications are to be considered prospectively as separate contracts, such as the original contract end and the creation of a new one.

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The Company adopted the retrospective method modified with the cumulative effect of the initial application recognized as an adjustment to the opening balance of retained earnings on the date of the initial adoption. Therefore, comparative amounts of previous periods will not be restated. To facilitate the understanding and comparability of information, the Company discloses in Note 33 the consolidated income statement for the six-month period ended June 30, 2018, excluding the effects of adopting IFRS 15.

The main practical expedients adopted by the Company were: (i) completed contracts: the standard was not retrospectively applied to those contracts that are completed at January 1, 2018; (ii) portfolio approach: the requirements of the standard have been applied for groups of contracts with similar characteristics, since, for the clusters identified, the effects do not differ significantly from an application on a contract by contract basis; (iii) financial component: it was not considered significant when the period between the moment when the promised product or service is transferred to a customer and the moment when the customer pays for that product or service is one year or less.; and (iv) costs to obtain a contract: these costs will be recognised as an expense when incurred if the amortisation period of the asset that the entity would otherwise recognise is one year or less.

The process of implementing the new requirements involved the introduction of modifications to the current information systems, the implementation of new IT tools, and changes in the processes and controls of the entire revenue cycle in the Company. This process of implementation in the Company entailed a high degree of complexity due to factors such as a large number of contracts, numerous data source systems, as well as the need to make complex estimates.

From the analysis performed on the transactions of the 2017 financial year, considering commercial offers as well as the volume of contracts affected, the Company recognized on January 1, 2018 an increase in retained earnings of 156 million reais, before deferred taxes, referring to first-time recognition of contract assets that lead to the early recognition of revenue from the sale of goods and the activation and deferral of incremental costs related to obtaining contracts and contract fulfilment costs that result in the subsequent recognition of customer acquisition costs and other sales.

The following table shows the changes in contractual assets and liabilities and incremental costs of the Company (excluding the effects of sales and income taxes) for the six-month period ended June 30, 2018.

IFRS 15

	Contract assets (1)			Contractual liabilities (3)			
	Contract assets, gross	Provision for losses	Contract assets, net	Contractual liabilities	Reclassification (Note 19)	Contractual liabilities	Incremental costs (2)
Initial adoption on 01.01.18	**193,675**	**(33,196)**	**160,479**	**(178,897)**	**-**	**(178,897)**	**183,645**
Reclassification on 01.01.18	**-**	**-**	**-**	**-**	**(381,619)**	**(381,619)**	**-**
Additions	328,685	(11,270)	317,415	(117,116)	(3,724,722)	(3,841,838)	115,096
Write-offs, net	(263,862)	-	(263,862)	102,638	3,738,159	3,840,797	(89,862)
Balances as of 06.30.18	**258,498**	**(44,466)**	**214,032**	**(193,375)**	**(368,182)**	**(561,557)**	**208,879**
Current	258,498	(44,466)	214,032	(154,254)	(344,789)	(499,043)	145,393
Non-current	-	-	-	(39,121)	(23,393)	(62,514)	63,486

The amounts in the above table are classified in the balance sheets as follows: (1) Accounts receivable (Note 4); (2) Prepaid expenses (Note 9); and (3) Deferred income (Note 19).

IFRS 9 Financial Instruments

IFRS 9 simplified the current measurement model for financial assets and established three main categories: (i) amortised cost; (ii) fair value through profit or loss; and (iii) fair value through Other Comprehensive Income (OCI), depending on the business model and the characteristics of the contractual cash flows. Regarding recognition and measurement of financial liabilities there were not significant changes from current criteria except for the recognition of changes in own credit risk in OCI for those liabilities designated at fair value through profit or loss.

IFRS 9 introduced a new model for impairment losses on financial assets, i.e. the expected credit loss model. The Company applied the simplified approach and recorded lifetime expected losses on all trade receivables. Consequently, the application of the new requirements led to an acceleration in the recognition of impairment losses on its financial assets, mainly trade receivables.

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IFRS 9 introduced a new and less restrictive hedge accounting model, requiring an economic relationship between the hedged item and the hedging instrument and that the hedge ratio be the same as that applied by the entity for risk management, criteria for documenting hedge relationships.

The main changes are related to the documentation of policies and hedging strategies, as well as the estimation and timing of recognition of expected losses on receivables from customers. The Company has decided to apply the option that allows not to restate comparative periods to be presented in the year of initial application.

From the analysis performed on the transactions of the 2017 financial year, the Company recognized on January 1, 2018, a decrease of 364 million reais in retained earnings, before deferred taxes, as a result of the increase in the bad debt provision balance on receivables from customers.

In addition to the effects on provisions for customer receivables defaults mentioned above, the adoption of IFRS 9 had impacts on the classification and measurement of financial assets and liabilities, as presented in the table below.

	Classification by category	
	Classification in accordance with IAS 39	Classification in accordance with IFRS 9
Financial Assets		
Short-term investments (Cash equivalents)	Amortized cost	Measured at fair value through profit or loss
Trade accounts receivable	Loans and receivables	Amortized cost
Derivative transactions	Hedges (economic)	Measured at fair value through comprehensive income
Short-term investments pledged as collateral	Amortized cost	Measured at fair value through profit or loss

Financial Liabilities		
Derivative transactions	Hedges (economic)	Measured at fair value through comprehensive income

The complete information on the Company's financial assets and financial liabilities is disclosed in note 30 of these ITRs.

New IFRS pronouncements, issues, amendments and interpretations of the IASB, applicable to the CPC

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

Standards and amendments		**Mandatory application: annual periods beginning on or after**
Improvements to IFRS Standards	2015-2017 Cycle	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRIC23	Uncertainty over Income Tax Treatments	January 1, 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	January 1, 2019
Amendments to IAS 28	Long-term Interest in associates and Joint Ventures	January 1, 2019
Amendments to IFRS 10 and IAS 28	Sale or Contribuition of Assets between na Investidor and its Associate or Joint Venture	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

Based on the analyses made to date, the Company estimates that the adoption of these standards, amendments and interpretations will not have a significant impact on the consolidated quarterly financial statements in the initial period of adoption. However, for IFRS 16 - Leases are expected to have a significant impact on the consolidated quarterly financial statements at the time of their adoption and prospectively.

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IFRS 16 Leases

IFRS 16 requires lessees to recognise assets and liabilities arising from all leases (except for short-term leases and leases of low-value assets) in the statement of financial position.

The Company acts as a lessee on a very significant number of lease agreements over different assets, such as third-party towers, circuits, office buildings and stores and land where the towers are located, mainly. A significant portion of these contracts is accounted for as operating lease under the current lease standard, with lease payments being recognised generally on the straight-line basis over the contract term.

The Company is currently in the process of estimating the impact of this new standard on such contracts. This analysis includes the estimation of the lease term, based on the non-cancellable period and the periods covered by options to extend the lease, when the exercise depends only on Telefônica and where such exercise is reasonably certain. This will depend, to a large extent, on the specific facts and circumstances by class of assets in the telecom industry (technology, regulation, competition, business model, among others). In addition to this, the Company will make assumptions to calculate the discount rate, which will mainly be based on the incremental borrowing rate of interest for the estimated term. On the other hand, the Company is considering not to separately recognise non-lease components from lease components for those classes of assets in which non-lease components are not material with respect to the total value of the lease.

In addition to the mentioned estimations, the standard allows for two transition methods: retrospectively for all periods presented, or using a modified retrospective approach where the cumulative effect of adoption is recognised at the date of initial application. The Company has tentatively decided to adopt the latter transition method; therefore the Company would recognise the cumulative effect of initial application as an adjustment to retained earnings in the year of initial application of IFRS 16. Also, certain practical expedients are available on first-time application in connection with the right of use asset measurement, discount rates, impairment, leases that finish within the twelve months subsequent to the date of first application, initial direct costs, and term of the lease. The Company is evaluating which of these practical expedients will be adopted. In this regard, the Company is considering opting for the practical expedient that allows not reassessing whether a contract is or contains a lease on the date of initial application of IFRS 16 but to directly apply the new requirements to all those contracts which under current accounting were identified as a lease.

Due to the different alternatives available, together with the complexity of the estimations and the significant number of lease contracts, the Company has not yet completed the implementation process, so at present it is not possible to make a reasonable estimation of the impact of initial application of the new requirements. However, based on the volume of contracts affected, as well as the magnitude of the future lease commitments, as disclosed in Note 31 herein, the Company expects that the changes introduced by IFRS 16 will have a significant impact on its financial statements from the date of adoption, including the recognition on the balance sheet of right of use assets and their corresponding lease obligations in connection with the majority of contracts that are classified as operating leases under the current lease standard. Also, amortization of the right of use assets and recognition of interest costs on the lease obligation on the statements of income will replace amounts recognised as lease expense under the current lease standard. Classification of lease payments in the statement of cash flows will also be affected by the requirements of the new lease standard. On the other hand,, the Company's Financial Statements will include broader disclosures with relevant information regarding lease contracts.

c) <u>Basis of consolidation</u>

At June 30, 2018 and December 31, 2017, the Company held the following equity interests on the respective dates:

Investees	Type of investment	Equity interests	Country (Headquarters)	
Telefônica Data S.A. ("TData") (1)	Wholly-owned subsidiary	100.00%	Brazil	Tel
POP Internet Ltda ("POP") (2)	Wholly-owned subsidiary	100.00%	Brazil	
Aliança Atlântica Holding B.V. ("Aliança")	Joint venture	50.00%	Holland	tel
Companhia AIX de Participações ("AIX")	Joint venture	50.00%	Brazil	tel
Companhia ACT de Participações ("ACT")	Joint venture	50.00%	Brazil	t

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(1) TData is the parent of the wholly-owned subsidiaries Terra Networks and Telefônica Transportes e Logística Ltda. ("TGLog").

(2) POP is the parent of the wholly-owned subsidiary Innoweb Ltda. ("Innoweb").

Interest held in subsidiaries or joint ventures is measured under the equity method in the individual financial statements. In the consolidated financial statements, investments and all asset and liability balances, revenues and expenses arising from transactions and interest held in subsidiaries are fully eliminated. Investments in joint venture are measured under the equity method in the consolidated financial statements.

d) <u>Reclassification of comparative amounts</u>

The Company reclassified the amount of R$655,084 in the statements of cash flows for the six-month period ended June 30, 2017, referring to the principal amount of the payment made on January 31, 2017 to the “Entidade Administradora do Processo de Redistribuição e Digitalização de Canais de TV e RTV” ("EAD") of the 2nd and 3rd installments of the auction of 700 MHz frequency bands for the provision of SMP. This reclassification was made between "Cash flow from operating activities - Other liabilities" and "Cash flow from investing activities - Acquisitions of property, plant and equipment and intangible assets".

3) CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	06/30/18	12/31/17	06/30/18	12/31/17
Cash and banks	93,958	114,556	90,139	117,799

Short-term investments	3,772,401	3,566,617	4,339,666	3,932,539
Total	**3,866,359**	**3,681,173**	**4,429,805**	**4,050,338**

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

4) TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	06/30/18	12/31/17	06/30/18	12/31/17
Billed amounts	7,010,625	6,642,523	6,916,148	6,753,621
Unbilled amounts	2,072,500	2,137,645	2,480,624	2,481,364
Interconnection amounts	854,164	835,085	880,783	859,819
Amounts from related parties (Note 27)	173,190	175,201	194,162	201,021
Gross accounts receivable	**10,110,479**	**9,790,454**	**10,471,717**	**10,295,825**
Estimated impairment losses	(1,223,311)	(1,209,369)	(1,521,578)	(1,433,471)
Total	**8,887,168**	**8,581,085**	**8,950,139**	**8,862,354**
Current	8,705,375	8,413,403	8,619,214	8,588,466
Non-current	181,793	167,682	330,925	273,888

Consolidated balances of non-current trade accounts receivable include:

- R$135,156 at June 30, 2018 (R$122,651 at December 31, 2017), relating to the business model of resale of goods to legal entities, receivable within 24 months. At June 30, 2018, the impact of the present-value adjustment was R$15,942 (R$16,011 at December 31, 2017).

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- R$46,637, at June 30, 2018 (R$45,031, at December 31, 2017), net of the present value adjustment relating to the portion of accounts receivable arising from negotiations on the bankruptcy process of companies from the OI group. At June 30, 2018, the impact of the present-value adjustment was R$13,929 (R$15,535 at December 31, 2017).

- R$149,132, at June 30, 2018 (R$106,206, at December 31, 2017), relating to “Soluciona TI”, traded by TData, which consists of lease of IT equipment to small and medium companies and receipt of fixed installments over the contractual term. Considering the contractual terms, this product was classified as finance lease. At June 30, 2018, the impact of the present-value adjustment was R$44,603 (R$33,614 at December 31, 2017).

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

	Consolidated	
	06/30/18	12/31/17
Nominal amount receivable	501,016	434,743
Deferred financial income	(44,603)	(33,614)
Present value of accounts receivable	**456,413**	**401,129**
Estimated impairment losses	(156,120)	(154,666)
Net amount receivable	**300,293**	**246,463**
Current	151,161	140,257

Non-current	149,132	106,206

At June 30, 2018, the aging list of gross trade accounts receivable relating to “Soluciona TI” product is as follows:

	Consolidated	
	Nominal amount receivable	Present value of accounts receivable
Falling due within one year	251,149	240,637
Falling due between one year and six years	249,867	215,776
Total	**501,016**	**456,413**

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

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

	Company		Consolidated	
	06/30/18	12/31/17	06/30/18	12/31/17
Falling due	6,113,359	6,557,992	6,395,731	6,635,125
Overdue – 1 to 30 days	1,360,272	1,016,172	1,251,996	1,132,008
Overdue – 31 to 60 days	532,056	342,779	370,034	375,176
Overdue – 61 to 90 days	212,573	224,597	224,937	232,648
Overdue – 91 to 120 days	232,472	96,586	244,260	105,342
Overdue – over 120 days	436,436	342,959	463,181	382,055
Total	**8,887,168**	**8,581,085**	**8,950,139**	**8,862,354**

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At June 30, 2018 and December 31, 2017, no customer represented more than 10% of trade accounts receivable, net.

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

	Company	Consolidated
Balance at 12/31/16	**(1,004,512)**	**(1,399,895)**
Supplement to estimated losses, net of resersal (Note 24)	(682,800)	(728,525)
Write-off due to use	536,528	555,106
Balance at 06/30/17	**(1,150,784)**	**(1,573,314)**
Supplement to estimated losses, net of resersal	(722,285)	(752,490)
Write-off due to use	663,700	901,052
Business combinations (Note 1.c)	-	(8,719)
Balance at 12/31/17	**(1,209,369)**	**(1,433,471)**
Initial adoption IFRS 9 on 01.01.18	(332,127)	(364,456)
Supplement to estimated losses, net of resersal (Note 24)	(664,735)	(766,722)
Write-off due to use	982,920	1,043,071
Balance at 06/30/18	**(1,223,311)**	**(1,521,578)**

5) INVENTORIES

	Company		Consolidated	
	06/30/18	12/31/17	06/30/18	12/31/17
Materials for resale (1)	403,034	302,235	428,381	325,850
Materials for consumption	89,273	55,448	90,465	57,740
Other inventories	7,908	7,822	9,364	7,822
Gross total	**500,215**	**365,505**	**528,210**	**391,412**
Estimated losses from impairment or obsolescence (2)	(35,881)	(40,794)	(36,852)	(42,657)
Total	**464,334**	**324,711**	**491,358**	**348,755**

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

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

6) INCOME AND SOCIAL CONTRIBUTION TAXES

a) Income and Social Contribution taxes recoverable

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

	Company		Consolidated	
	06/30/18	12/31/17	06/30/18	12/31/17
Income taxes recoverable	434,664	348,113	482,056	428,524
Social contribution taxes recoverable	15,450	53,146	41,111	77,011
Total	**450,114**	**401,259**	**523,167**	**505,535**

Current	450,114	401,259	523,167	505,535

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b) Income and Social Contribution taxes payable

	Company		Consolidated	
	06/30/18	12/31/17	06/30/18	12/31/17
Income taxes payable	-	-	218,038	3,267
Social contribution taxes payable	32,979	-	114,555	1,212
Total	**32,979**	**-**	**332,593**	**4,479**

c) 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.

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

	Company						
	Balances at 12/31/16	Income statement	Comprehensive income	Balances at 06/30/17	Income statement	Comprehensive income	Balances at 12/31/17

<u>**Deferred tax assets (liabilities)**</u>								
Income and social contribution taxes on tax losses (1)	**1,376**	**3,901**	**-**	**5,277**	**583,473**	**-**	**588,750**	
Income and social contribution taxes on temporary differences (2)	**(90,071)**	**(497,710)**	**(1,463)**	**(589,244)**	**(766,481)**	**57,650**	**(1,298,075)**	**(1**
Provisions for legal, labor, tax civil and regulatory contingencies	2,221,055	90,499	-	2,311,554	(56,467)	-	2,255,087	
Trade accounts payable and other provisions	608,158	41,368	-	649,526	(61,232)	-	588,294	
Customer portfolio and trademarks	313,091	(27,479)	-	285,612	(31,195)	-	254,417	
Estimated losses on impairment of accounts receivable	341,535	49,732	-	391,267	19,920	-	411,187	
Estimated losses from modems and other P&E items	282,267	(70,937)	-	211,330	(11,896)	-	199,434	
Pension plans and other post-employment benefits	108,403	7,718	-	116,121	2,780	55,480	174,381	
Profit sharing	123,911	(34,856)	-	89,055	11,588	-	100,643	
Licenses	(1,420,556)	(108,164)	-	(1,528,720)	(108,166)	-	(1,636,886)	
Effects of goodwill generated in the merger of Vivo Part.	(864,320)	(5,460)	-	(869,780)	(1)	-	(869,781)	
Goodwill from Spanish and Navytree	(337,535)	-	-	(337,535)	-	-	(337,535)	
Goodwill from Vivo Part.	(1,005,120)	(83,602)	-	(1,088,722)	(83,601)	-	(1,172,323)	
	(522,228)	(348,152)	-	(870,380)	(348,153)	-	(1,218,533)	

Goodwill from GVT Part. Technological Innovation Law	(140,940)	27,346	-	(113,594)	16,061	-	(97,533)	
Property, plant and equipment of small value	-	-	-	-	-	-	-	
Income and social contribution taxes on other temporary differences (3)	202,208	(35,723)	(1,463)	165,022	(116,119)	2,170	51,073	
Total deferred tax assets (liabilities), non current	**(88,695)**	**(493,809)**	**(1,463)**	**(583,967)**	**(183,008)**	**57,650**	**(709,325)**	**(1**
Deferred tax assets	**4,425,658**			**4,489,958**			**4,916,768**	
Deferred tax liabilities	**(4,514,353)**			**(5,073,925)**			**(5,626,093)**	
Deferred tax assets (liabilities), net	**(88,695)**			**(583,967)**			**(709,325)**	
Represented in the balance sheet as follows:								
Deferred tax assets	**-**			**-**			**-**	
Deferred tax liabilities	**(88,695)**			**(583,967)**			**(709,325)**	

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	Consolidated						
	Balances at 12/31/16	Income statement	Comprehensive income	Balances at 06/30/17	Income statement	Comprehensive income	Business combination (Note 1 c)
Deferred tax assets (liabilities)							
Income and social contribution taxes on tax losses (1)	**14,071**	**3,130**	**-**	**17,201**	**707,281**	**-**	**69,451**
Income and social contribution taxes on temporary differences (2)	**13,426**	**(478,482)**	**(1,463)**	**(466,519)**	**(773,334)**	**59,655**	**48,434**
Provisions for legal, labor, tax civil and regulatory contingencies	2,230,336	97,945	-	2,328,281	(29,546)	-	-
Trade accounts payable and other provisions	677,123	37,556	-	714,679	(63,262)	-	-
Estimated losses on impairment of accounts receivable	358,805	53,235	-	412,040	22,920	-	-
Customer portfolio and trademarks	313,092	(27,479)	-	285,613	(31,195)	-	-

Estimated losses from modems and other P&E items	284,677	(71,323)	-	213,354	(12,413)	-	-
Pension plans and other post-employment benefits	108,419	7,718	-	116,137	912	57,485	-
Profit sharing	125,256	(35,273)	-	89,983	20,063	-	-
Licenses	(1,420,556)	(108,164)	-	(1,528,720)	(108,166)	-	-
Effects of goodwill generated in the acquisition of Vivo Part.	(864,320)	(5,460)	-	(869,780)	(1)	-	-
Goodwill from Spanish and Navytree	(337,535)	-	-	(337,535)	-	-	-
Goodwill from Vivo Part.	(1,005,120)	(83,602)	-	(1,088,722)	(83,601)	-	-
Goodwill from GVTPart.	(522,228)	(348,152)	-	(870,380)	(348,153)	-	-
Technological Innovation Law	(140,940)	27,346	-	(113,594)	16,061	-	-
Property, plant and equipment of small value	-	-	-	-	-	-	-
Income and social contribution taxes on other temporary differences (3)	206,417	(22,829)	(1,463)	182,125	(156,953)	2,170	48,434
Total deferred tax assets (liabilities), non current	**27,497**	**(475,352)**	**(1,463)**	**(449,318)**	**(66,053)**	**59,655**	**117,885**
Deferred tax assets	**4,541,952**			**4,609,413**			
Deferred tax liabilities	**(4,514,455)**			**(5,058,731)**			
Deferred tax assets (liabilities), net	**27,497**			**(449,318)**			
Represented in the balance sheet as follows:							
	27,497			**134,649**			

Deferred tax assets		
Deferred tax liabilities	**-**	**(583,967)**

(1) This refers to the amounts recorded which, in accordance with Brazilian tax legislation, may be offset to the limit of 30% of the tax bases computed for the following years, with no expiry date. In 2017, there were increases of R$587,374 in the Company and R$779,862 in the consolidated, consisting of R$587,374 of the Company and R$192,488 of Terra Networks and POP.

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

(3) These refer to deferred taxes arising from other temporary differences, such as provision for loyalty program, accelerated accounting depreciation, estimated impairment losses on inventories, derivative financial instruments, deferred income, renewal of licenses subsidy on the sale of mobile phones, among others.

(4) Includes deferred social contribution tax amounts on the adoption of IFRS 9 and 15.

At June 30, 2018, deferred tax credits (income and social contribution tax losses) were not recognized in indirect subsidiaries' (Innoweb and TGLog) accounting records, in the amount of R$12,897 (R$11,938 at December 31, 2017), as it is not probable that future taxable profits will be available for these subsidiaries to benefit from such tax credits.

d) <u>Reconciliation of income tax and social contribution expense</u>

The Company and its subsidiaries recognize income and social contribution taxes on a monthly basis, on an accrual basis, and pay the taxes based on estimates, in accordance with the trial balances for tax-reduction/tax-suspension purposes. Taxes calculated on profits until the month of the financial statements are recorded in liabilities or assets, as applicable.

Reconciliation of the reported tax expense and the amounts calculated by applying the statutory tax rate of 34% (income tax of 25% and social contribution tax of 9%) is shown in the table below for the six-month periods ended June 30, 2018 and 2017.

(A free translation of the original in Portuguese)

Telefônica Brasil S. A.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Three and six-month periods ended June 30, 2018

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

	Company			
	Three-month periods ended		Six-month periods ended	
	06.30.18	06.30.17	06.30.18	06.30.17
Income before taxes	4,347,390	1,169,454	5,678,828	2,365,091
Income and social contribution tax expenses, at the tax rate of 34%	(1,478,113)	(397,614)	(1,930,802)	(804,131)
<u>Permanent differences</u>				
Equity pickup, net of effects from interest on equity received (Note 11)	196,823	89,395	389,919	144,427
Unclaimed interest on equity	(14,426)	-	(14,426)	(10,319)
Non-deductible expenses, gifts, incentives	(11,824)	(19,362)	(21,407)	(38,234)
Tax benefit related to interest on equity allocated	136,000	32,300	136,000	212,500
Other (additions) exclusions	(9,553)	(1,251)	26,204	(215)
Total	**(1,181,093)**	**(296,532)**	**(1,414,512)**	**(495,972)**
Effective rate	27.2%	25.4%	24.9%	21.0%
Current income and social contribution taxes	(32,978)	38,428	(33,187)	(2,163)
Deferred income and social contribution taxes	(1,148,115)	(334,960)	(1,381,325)	(493,809)

	Consolidated			
	Three-month periods ended		Six-month periods ended	
	06.30.18	06.30.17	06.30.18	06.30.17
Income before taxes				

	4,661,707	1,307,452	6,285,724	2,588,167
Income and social contribution tax expenses, at the tax rate of 34%	(1,584,980)	(444,534)	(2,137,146)	(879,977)
Permanent differences				
Equity pickup, net of effects from interest on equity received (Note 11)	21	185	213	459
Unclaimed interest on equity	(14,426)	-	(14,426)	(10,319)
Non-deductible expenses, gifts, incentives	(27,213)	(19,892)	(38,054)	(40,168)
Tax benefit related to interest on equity allocated	136,000	32,300	136,000	212,500
Other (additions) exclusions	(4,812)	(2,589)	32,005	(1,543)
Total	**(1,495,410)**	**(434,530)**	**(2,021,408)**	**(719,048)**
Effective rate	32.1%	33.2%	32.2%	27.8%
Current income and social contribution taxes	(353,170)	(100,781)	(663,414)	(243,696)
Deferred income and social contribution taxes	(1,142,240)	(333,749)	(1,357,994)	(475,352)

7) TAXES, CHARGES AND CONTRIBUTIONS RECOVERABLE

	Company		Consolidated
	06/30/18	12/31/17	06/30/18