TELEFONICA BRASIL S.A.
Form 6-K
August 05, 2013

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, 2013

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, 2013

CE-0601-13

REPORT OF QUARTERLY INFORMATION REVIEW

To the Shareholders, Board Members and Directors of

TELEFÔNICA BRASIL S.A.

São Paulo - SP

Introduction

We have reviewed the individual and consolidated interim accounting information of **TELEFÔNICA BRASIL S.A.** and subsidiaries, contained in the ITR (Quarterly Information Form), referring to the quarter ended on June 30, 2013, which comprises the balance sheet and related statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the three-month period then ended, including the notes thereto.

The management is responsible for the preparation of the individual interim accounting information according to CPC Technical Pronouncement CPC 21 – Interim Statement and interim consolidated accounting information according to CPC 21 and international standard IAS 34 – Interim Financial Reporting, issued by International Accounting Standards Board – IASB, as well as for the presentation of such information according to standards issued by CVM (SEC), 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 the Brazilian and international standards of review of interim information (NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of inquiries, mainly to those responsible for financial and accounting matters, and the application of analytical procedures and other review procedures.

The scope of a review is significantly less in scope than an audit and, consequently, it did not allow us to obtain assurance that we became aware of all significant matters which could be identified in an audit. Accordingly, we did not express an audit opinion.

Conclusion on individual interim information

Based on our review, we are not aware of any fact which makes us believe that the individual interim accounting information included in the aforesaid quarterly information was not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Quarterly Information (ITR) and presented in accordance with the Brazilian SEC (CVM) regulations.

Conclusion on consolidated interim information

Based on our review, we are not aware of any fact which makes us believe that the consolidated interim accounting information included in the aforesaid quarterly information was not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Quarterly Information (ITR) and presented in accordance with Brazilian SEC (CVM) regulations.

Emphasis

Restatement of corresponding amounts

As mentioned in note 2, as a consequence of changes in the accounting policy introduced by the adoption of IFRS 11, the corresponding amounts, individual and consolidated, related to the balance sheet of the year ended December 31, 2012, and the interim accounting information related to the statement of income, of comprehensive income, of changes in shareholders' equity, of cash flow and of value added (supplementary information), referring to the six-month period ended June 30, 2013, presented for comparison purposes, were adjusted and are being restated according to CPC 23 – Políticas Contábeis, Mudança de Estimativa e Retificação de Erro (Accounting Policies, Change in Estimate and Ratification of Error) and CPC 26(R1) - Apresentação das Demonstrações Contábeis (Presentation of Financial Statements). Our conclusion did not change regarding this matter.

Other matters

Interim statement of value added

We have also reviewed the individual and consolidated statement of value added (SVA), referring to the six-month period ended June 30, 2013, the presentation of which in the interim information is required according to standards issued by CVM, regulations applicable to the preparation of the Quarterly Information – ITR and considered as supplementary information by IFRS’s standards, which do not require the presentation of the SVA. These statements were submitted to the same review procedures previously described and, based on our review, we have no knowledge of any fact which could make us believe that they were not prepared, in all material aspects, in accordance with individual and consolidated interim accounting information taken as a whole.

São Paulo, July 22, 2013.

CRC Nº 2SP013002/O-3

Clóvis Ailton Madeira

CTCRC Nº 1SP106895/O-1 "S"

TELEFÔNICA BRASIL S. A.
Balance sheets
June 30, 2013 and December 31, 2012
(In thousands of reais)

		Company		Consolidated				Company	
ASSETS	**Note**	**6.30.13**	**12.31.12**	**6.30.13**	**12.31.12**	**LIABILITIES AND EQUITY**	**Note**	**6.30.13**	**12.31**
CURRENT ASSETS		**8,570,644**	**6,515,094**	**17,227,068**	**16,209,181**	**CURRENT LIABILITIES**		**7,270,046**	**5,910,**
Cash and cash equivalents	3	4,367,490	3,079,282	7,779,199	7,133,485	Personnel, social charges and benefits	13	155,313	205,
Short-term investments pledged as collateral	3	-	-	253,472	-	Trade accounts payable	14	2,149,398	2,191,
Trade accounts receivable, net	4	2,143,996	2,150,724	5,355,643	5,512,272	Taxes, charges and contributions	15	478,061	529,
Inventories	5	27,015	24,403	502,803	387,809	Loans and financing	16.1	774,617	743,
Taxes recoverable	6.1	529,295	602,328	1,969,172	2,052,421	Debentures	16.2	723,698	702,
Judicial deposits and garnishments	7	-	-	131,823	126,625	Dividends and interest on equity	17	1,973,655	467,
Derivative transactions	34	59,948	39,197	64,918	41,109	Provisions	18	367,098	334,
Prepaid expenses	8	138,786	26,610	858,426	248,337	Derivative transactions	34	7,970	8,
Dividends and interest on equity	17	1,099,939	394,105	1,140	1,140	Deferred income	19	67,385	69,
Other assets	9	204,175	198,445	310,472	705,983	Reverse split of fractional shares		345,793	345,
						Authorization license		-	
NONCURRENT ASSETS		**50,440,337**	**51,067,347**	**53,370,078**	**54,041,911**	Other liabilities	20	227,058	310,
Short-term investments pledged as collateral	3	23,881	23,920	110,719	109,708				
Trade accounts receivable, net	4	-	-	224,671	93,378	**NONCURRENT LIABILITIES**		**8,430,396**	**6,991,**
Taxes recoverable	6.1	284,319	549,225	484,449	738,965	Taxes, charges and contributions	15	28,890	30,

Deferred taxes	6.2	-	-	1,045,989	1,027,888	Deferred taxes	6.2	1,366,004	1,216,
Judicial deposits and garnishments	7	3,196,738	3,068,256	4,151,964	3,909,268	Loans and financing	16.1	375,461	582,
Derivative transactions	34	20,201	21,465	374,697	286,278	Debentures	16.2	3,556,515	2,253,
Prepaid expenses	8	13,782	16,720	26,930	31,396	Provisions	18	2,634,820	2,457,
Other assets	9	201,351	75,587	126,469	92,308	Derivative transactions	34	-	3,
Investments	10	**21,361,644**	**21,561,061**	**132,781**	**142,881**	Deferred income	19	41,520	39,
Property, plant and equipment, net	11	**10,051,716**	**10,020,263**	**17,085,082**	**17,604,144**	Post-retirement benefit plans	33	386,472	372,
Intangible assets, net	12	**15,286,705**	**15,730,850**	**29,606,327**	**30,005,697**	Other liabilities	20	40,714	35,
						TOTAL EQUITY		**43,310,539**	**44,681,**
						EQUITY		**43,310,539**	**44,681,**
						Capital	21	37,798,110	37,798,
						Capital reserves	21	2,686,897	2,686,
						Income reserves	21	1,100,000	1,100,
						Premium on acquisition of non-controlling interest	21	(70,448)	(70,4
						Other comprehensive income	21	12,935	17,
						Proposed additional dividend	21	-	3,148,
						Retained earnings	21	1,783,045	
TOTAL ASSETS		**59,010,981**	**57,582,441**	**70,597,146**	**70,251,092**	**TOTAL LIABILITIES AND EQUITY**		**59,010,981**	**57,582,**

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TELEFÔNICA BRASIL S. A.
Income statements
Six-month periods ended June 30, 2013 and 2012
(In thousands of reais)

		Company		Consolidated	
	Note	**2013**	**2012**	**2013**	**2012**
OPERATING REVENUE, NET	22	**6,284,351**	**6,445,441**	**17,046,989**	**16,551,720**
Cost of services rendered and products sold	23	(4,097,346)	(3,713,895)	(8,798,819)	(8,113,872)
GROSS PROFIT		**2,187,005**	**2,731,546**	**8,248,170**	**8,437,848**
OPERATING INCOME (EXPENSES)		**(182,572)**	**(448,998)**	**(5,772,404)**	**(5,169,475)**
Selling expenses	24	(1,504,737)	(1,597,374)	(4,517,671)	(4,308,701)
General and administrative expenses	25	(349,739)	(375,536)	(1,177,126)	(1,102,351)
Equity pick-up	10	1,801,316	1,620,591	(2,061)	1,224
Other operating income (expenses), net	26	(129,412)	(96,679)	(75,546)	240,353
OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES)		**2,004,433**	**2,282,548**	**2,475,766**	**3,268,373**
Financial income	27	263,076	299,540	748,996	619,217
Financial expenses	27	(389,502)	(347,022)	(839,059)	(748,932)
INCOME BEFORE TAXES		**1,878,007**	**2,235,066**	**2,385,703**	**3,138,658**
Income and social contribution taxes	28	(153,577)	(191,501)	(661,273)	(1,096,508)
NET INCOME FOR THE PERIOD		**1,724,430**	**2,043,565**	**1,724,430**	**2,042,150**
Attributable to:					
Non-controlling interest		-	-	-	(1,415)
Controlling interest		1,724,430	2,043,565	1,724,430	2,043,565
Base and diluted earnings per common share		1.44	1.71		
Basic and diluted earnings per preferred share		1.58	1.88		

TELEFÔNICA BRASIL S. A.
Statements of changes in equity
Period ended June 30, 2013
(In thousands of reais)

		Capital reserve				Income reserves		
	Capital	**Premium on acquisition of non-controlling interest**	**Special goodwill reserve**	**Capital reserve**	**Treasury stock**	**Legal reserve**	**Retained earnings**	**Additional proposed dividends**
Balances at December 31, 2011	**37,798,110**	**(29,929)**	**63,074**	**2,735,930**	**(79,339)**	**877,322**	**-**	**1,953,029**
Additional dividend proposed for 2011	-	-	-	-	-	-	-	(1,953,029)
Expired dividends and interest on equity	-	-	-	-	-	-	62,340	-
Repurchase of shares	-	-	-	-	(32,768)	-	-	-
Noncontrolling interest	-	(40,519)	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	2,043,565	-
Balances at June 30, 2012	**37,798,110**	**(70,448)**	**63,074**	**2,735,930**	**(112,107)**	**877,322**	**2,105,905**	**-**
Expired dividends and interest on equity	-	-	-	-	-	-	27,352	-
Other changes in equity	-	-	-	-	-	-	(3,240)	-
Repurchase of shares	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	(46,056)	-
Net income for the year	-	-	-	-	-	-	2,410,008	-

Allocation of income:								
Legal reserve	-	-	-	-	-	222,678	(222,678)	-
Interim dividends	-	-	-	-	-	-	(1,122,522)	-
Proposed additional dividend	-	-	-	-	-	-	(3,148,769)	3,148,769
Balances at December 31, 2012	**37,798,110**	**(70,448)**	**63,074**	**2,735,930**	**(112,107)**	**1,100,000**	**-**	**3,148,769**
Additional dividend proposed for 2012	-	-	-	-	-	-	-	(3,148,769)
Expired dividends and interest on equity	-	-	-	-	-	-	59,045	-
Other comprehensive income	-	-	-	-	-	-	(430)	-
Net income for the period	-	-	-	-	-	-	1,724,430	-
Balances at June 30, 2013	**37,798,110**	**(70,448)**	**63,074**	**2,735,930**	**(112,107)**	**1,100,000**	**1,783,045**	**-**
Outstanding shares (in thousands)								
VPA – Equity value of Company's shares								

TELEFÔNICA BRASIL S. A.
Cash flow statements
Six-month periods ended June 30, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Cash generated by operating activities				
Income before taxes	**1,878,007**	**2,235,066**	**2,385,703**	**3,138,658**
Items not affecting cash				
Expenses (revenue) not representing changes in cash	**37,796**	**225,537**	**3,886,606**	**2,845,701**
Depreciation and amortization	1,345,096	1,306,276	2,845,289	2,669,989
Foreign exchange variation on loans	13,494	8,774	40,991	16,374
Monetary variations	48,808	16,603	61,350	(28,616)
Equity pick-up	(1,801,316)	(1,620,591)	2,061	(1,224)
Gain (loss) on assets write-off/disposal	(57,629)	7,447	(139,517)	(382,581)
Provision for impairment of accounts receivable	154,474	145,434	402,103	340,387
Provision(reversal) of accounts payable	(8,610)	122,767	28,586	(262,659)
Provision (write-offs and reversals) for impairment of inventory	3,033	(2,514)	11,506	8,697
Pension plans and other post-employment benefits	13,296	(3,617)	13,159	(8,109)
Provisions for tax, labor, civil and regulatory contingencies	165,638	123,525	332,444	230,258
Interest expenses	161,894	121,621	268,910	253,242
Reversal of provision for demobilization	(3,821)	(188)	12,954	(1,819)
Provision for customer loyalty programs	-	-	6,770	11,762
Investment losses	3,439	-	-	-
(Increase) decrease in operating assets	**(397,261)**	**80,935**	**(1,484,734)**	**(413,728)**
Trade accounts receivable	(147,746)	(121,422)	(376,767)	(188,018)
Inventories	(5,645)	2,587	(126,500)	(24,112)
Taxes recoverable	12,527	387,650	(298,088)	366,821
Other current assets	(105,485)	(11,377)	(499,716)	(346,279)
Other noncurrent assets	(150,912)	(176,503)	(183,663)	(222,140)
Increase (decrease) in operating liabilities:	**(11,366)**	**(746,807)**	**(587,352)**	**(1,664,955)**
Personnel, social charges and benefits	(50,467)	(37,823)	(47,772)	(66,992)
Trade accounts payable	3,826	(362,502)	114,575	(508,814)
Taxes, charges and contributions	305,800	(116,939)	442,467	(99,573)
Interest paid	(138,817)	(123,567)	(263,043)	(236,198)
Income and social contribution taxes paid	-	(9,483)	(703,097)	(547,748)
Other current liabilities	(98,265)	(107,462)	(50,069)	(153,980)
Other noncurrent liabilities	(33,443)	10,969	(80,413)	(51,650)
Total cash from operating activities	**1,507,176**	**1,794,731**	**4,200,223**	**3,905,676**
Net cash provided by (used in) investing activities				
Advance for future capital contribution in subsidiaries	(65,250)	-	-	-
Additions of PP&E and intangible assets (net of donations)	(1,011,834)	(1,063,471)	(3,016,567)	(2,525,131)

Cash received from sale of PP&E items	34,273	3,248	423,090	282,703
Cash from investing activities	-	7,551	-	10,069
Short-term investments pledged as collateral	-	-	(250,000)	-
Dividends and interest on equity received	1,320,449	1,200,000	-	-
Total cash from (used in) investing activities	**277,638**	**147,328**	**(2,843,477)**	**(2,232,359)**
Net cash from (used in) financing activities				
Payment of loans, financing and debentures	(207,002)	(637,737)	(430,135)	(849,922)
Loans and debentures raised	1,300,128	-	1,318,124	14,309
Derivative agreements payment, net	(5,671)	(3,144)	(14,960)	(27,780)
Payments referring to grouping of shares	(161)	-	(161)	
Dividends and interest on equity - paid	(1,583,900)	(1,573,154)	(1,583,900)	(1,573,154)
Acquisition of noncontrolling interest	-	(44,171)	-	(44,171)
Repurchase of treasury stock	-	(32,769)	-	(32,769)
Total cash used in financing activities	**(496,606)**	**(2,290,975)**	**(711,032)**	**(2,513,487)**
Increase (decrease) in cash and cash equivalents	**1,288,208**	**(348,916)**	**645,714**	**(840,170)**
Cash and cash equivalents at beginning of period	**3,079,282**	**826,902**	**7,133,485**	**2,889,543**
Cash and cash equivalents at end of period	**4,367,490**	**477,986**	**7,779,199**	**2,049,373**
Changes in cash and cash equivalents for the period	**1,288,208**	**(348,916)**	**645,714**	**(840,170)**

TELEFÔNICA BRASIL S. A.
Statements of comprehensive income
Six-month periods ended June 30, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Net income for the period	**1,724,430**	**2,043,565**	**1,724,430**	**2,042,150**
Unrealized losses with investment available for sale	(8,202)	(7,561)	(8,202)	(7,561)
Actuarial losses and limitation effect of the assets of surplus plans	-	-	(430)	-
Gains from derivative transactions, net of taxes	-	-	(1,048)	(2,851)
Cumulative transaction adjustments – operations in foreign currency	4,393	2,541	4,393	2,541
Interest in comprehensive income of subsidiaries	(1,478)	(2,851)	-	-
Net losses recognized in equity	**(5,287)**	**(7,871)**	**(5,287)**	**(7,871)**
Comprehensive income for the period	**1,719,143**	**2,035,694**	**1,719,143**	**2,034,279**
Attributable to:				
Non-controlling interest	-	-	-	(1,415)
Controlling interest	1,719,143	2,035,694	1,719,143	2,035,694
Basic and diluted earnings per common share	1.44	1.71		
Basic and diluted earnings per preferred share	1.58	1.88		

TELEFÔNICA BRASIL S. A.
Statements of value added
Six-month periods ended June 30, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Revenues	**8,273,164**	**8,591,579**	**23,204,275**	**22,411,194**
Sale of products and services	8,298,542	8,621,260	23,297,628	22,497,223
Other revenues	129,096	115,753	308,750	254,358
Provision for impairment	(154,474)	(145,434)	(402,103)	(340,387)
Inputs acquired from third parties	**(3,824,313)**	**(3,861,900)**	**(8,693,073)**	**(8,055,220)**
Cost of products, goods and services sold	(2,806,557)	(2,719,640)	(5,362,048)	(5,025,236)
Materials, electric power, outsourced services and other	(1,078,901)	(1,160,508)	(3,459,368)	(3,428,954)
Loss/recovery of assets	61,145	18,248	128,343	398,970
Gross value added	**4,448,851**	**4,729,679**	**14,511,202**	**14,355,974**
Retentions	**(1,345,096)**	**(1,306,276)**	**(2,845,289)**	**(2,669,989)**
Depreciation and amortization	(1,345,096)	(1,306,276)	(2,845,289)	(2,669,989)
Net value added produced	**3,103,755**	**3,423,403**	**11,665,913**	**11,685,985**
Value added received in transfer	**2,064,392**	**1,920,131**	**746,935**	**620,441**
Equity pickup	1,801,316	1,620,591	(2,061)	1,224
Financial income	263,076	299,540	748,996	619,217
Total value added to be distributed	**5,168,147**	**5,343,534**	**12,412,848**	**12,306,426**
Distribution of value added	**5,168,147**	**5,343,534**	**12,412,848**	**12,306,426**
Personnel, social charges and benefits	414,881	389,383	1,137,340	922,684
Direct compensation	286,309	276,492	741,963	671,406
Benefits	92,063	69,121	326,341	178,966
Unemployment compensation fund contribution tax (FGTS)	36,509	43,770	69,036	72,312
Taxes, charges and contributions	2,171,537	2,464,254	7,432,081	7,759,195
Federal	664,590	721,979	2,589,072	3,038,266
State	1,482,458	1,708,045	4,797,996	4,667,197
Municipal	24,489	34,230	45,013	53,732
Debt remuneration	603,837	302,825	1,775,701	1,356,343
Interest	368,367	346,646	815,736	748,172
Rent	235,470	(43,821)	959,965	608,171
Equity remuneration	1,724,430	2,043,565	1,724,430	2,042,150
Retained profits	1,724,430	2,043,565	1,724,430	2,043,565
Noncontrolling shareholder interest	-	-	-	(1,415)
Other	253,462	143,507	343,296	226,054
Provisions for labor and civil contingencies, net	253,462	143,507	343,296	226,054

Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

Six-month period ended June 30, 2013

(In thousands of reais, unless stated otherwise)

1. OPERATIONS

a. Shareholding controlling interest

Telefônica Brasil S.A. (“Company” or Telefônica Brasil) is headquartered at Avenida Engenheiro Luiz Carlos Berrini, nº 1376, in the capital city of the state of São Paulo, Brazil. The Company is a member of Telefonica Group (Group), the telecommunications industry leader in Spain and which is also present in several European and Latin American countries. At June 30, 2013 and December 31, 2012, Telefónica S.A., holding company of the Group, held total direct and indirect interest in the Company of 73.81%, excluding treasury shares, 91.76% of which are common shares and 64.60% are preferred shares.

b. Subsidiaries

At June 30, 2013 and December 31, 2012, the Company held equity interest in direct and indirect subsidiaries (wholly-owned subsidiaries) and jointly controlled entities

Some information on investees is as follows.

b.1) Direct and indirect subsidiaries (wholly-owned subsidiaries)

Vivo S.A. (Vivo): Vivo is engaged in SMP services, including activities necessary or useful for the performance of said services, in conformity with the authorizations granted to it.

A. Telecom S.A. (ATelecom): Is engaged in management of telecommunication service rendering and installation, operation and maintenance of Internet, Intranet and Extranet solutions, commercial representation, mediation, intermediation and distribution of assets, sale, representation, rental and maintenance of telecommunication and general IT systems, equipment and devices, advisory services and technical support on specification, implementation and maintenance of new voice, data and image systems, import and export of assets and services useful to the performance of the main activity and to holding interest in capital of other entities, Brazilian or foreign, as a partner, shareholder or member.

Telefônica Data S.A. (TData): It is engaged in rendering and operating telecommunication services, as well as preparing, implementing and installing projects related to the operation of integrated corporate solutions, advisory services on telecommunications, activities related to the rendering of technical support services, sale, rental and maintenance of telecommunication equipment and networks.

Telefônica Sistema de Televisão S.A. (TST): It is engaged in the provision of the Multichannel Multipoint Distribution Service (MMDS) type pay television services, in addition to general telecommunication and Internet services.

Ajato Telecomunicações Ltda. (Ajato): It is engaged in the rendering of telecommunication and IT services, sale, rental business, import, export, maintenance and repair of this equipment.

Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

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(In thousands of reais, unless stated otherwise)

GTR-T Participações e Empreendimentos S.A. (GTR-T): It is engaged in holding interest in other companies engaged in rendering pay and cable television services, telecommunications in general, production, acquisition, licensing, import and distribution of own or third-party television programs, replacement parts and equipment, management and operation of telecommunication and pay television service platforms.

TVA Sul Paraná S.A. (Sul Paraná): It is engaged rendering pay and cable television services, telecommunications in general, production, acquisition, licensing, import and distribution of own or third-party television programs, replacement parts and equipment, management, updating and operation of telecommunication and pay television service platforms, and editing publications.

Lemontree Participações S.A. (Lemontree): It is engaged in holding interest in other companies engaged in rendering pay and cable television services, telecommunications in general, production, acquisition, licensing, import and distribution of own or third-party television programs, replacement parts and equipment, management, updating and operation of telecommunication and pay television service platforms, and management and sale of data.

Comercial Cabo TV São Paulo S.A. (CaTV): It is engaged rendering pay and cable television services, advisory and consultancy services on telecommunications in general, production, acquisition, licensing, import and distribution of own or third-party television programs, replacement parts and equipment, management, updating and operation of telecommunication and pay television service platforms, and operation of publicity and advertising of all types.

b.2) Jointly controlled entities

Aliança Atlântica Holding B.V. (Aliança): Company headquartered in Amsterdam, Holland, with 50% interest held by Telefônica Brasil and cash generated from sale of Portugal Telecom shares in June 2010. Through May 8, 2012, the Company held equity interest in Zon Multimédia, Company of the Portugal

Telecom group which renders pay television services, Internet, distribution of audiovisual contents, cinema and telecommunication services. This equity interest was disposed of on May 8, 2012.

Companhia AIX de Participações (AIX): It is engaged in holding interest in Refibra consortium, and activities related to the direct and indirect operation of activities related to the construction, completion and operation of underground networks or optical fiber ducts.

Companhia ACT de Participações (ACT): It is engaged in holding interest in Refibra consortium, and 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.

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(In thousands of reais, unless stated otherwise)

b.3) Interest in other companies

Direct and indirect subsidiaries and jointly controlled entities, as well as the percentage of interest held by the Company as of June 30, 2013 and December 31, 2012

June 30, 2013

	Direct interest		Indirect interest		
Investees	Investing company	Interest	Investing company	Interest	Total equity interest
Wholly-owned subsidiaries					
Vivo	Telefônica Brasil	100.00%	-	-	100.00%
TData	Telefônica Brasil	100.00%	-	-	100.00%
ATelecom	Telefônica Brasil	100.00%	-	-	100.00%
TST	Telefônica Brasil	100.00%	-	-	100.00%
Ajato	-	-	TSTV	100.00%	100.00%
GTR-T	Telefônica Brasil	100.00%	-	-	100.00%
Sul Paraná (a)	Telefônica Brasil	83.88%	GTR-T	16.12%	100.00%
Lemontree	Telefônica Brasil	100.00%	-	-	100.00%
CaTV (a)	Telefônica Brasil	89.74%	Lemontree	10.26%	100.00%
Jointly controlled entities					
Aliança	Telefônica Brasil	50.00%	-	-	50.00%
AIX	Telefônica Brasil	50.00%	-	-	50.00%
ACT	Telefônica Brasil	50.00%	-	-	50.00%

(a) Equity interest changes are due to capital allocation carried out by the Company in the TVA Sul e Comercial Cabo in April 2013, in the amounts of R$3,000 and R$68,000, respectively.

At December 31, 2012

	Direct interest		Indirect interest		
Investees	Investing company	Interest	Investing company	Interest	Total equity interest
Wholly-owned subsidiaries					
Vivo	Telefônica Brasil	100.00%	-	-	100.00%
TData	Telefônica Brasil	100.00%	-	-	100.00%
ATelecom	Telefônica Brasil	100.00%	-	-	100.00%
TST	Telefônica Brasil	100.00%	-	-	100.00%
Ajato	-	-	TSTV	100.00%	100.00%
GTR-T	Telefônica Brasil	100.00%	-	-	100.00%
Sul Paraná	Telefônica Brasil	79.29%	GTR-T	20.71%	100.00%
Lemontree	Telefônica Brasil	100.00%	-	-	100.00%
CaTV	Telefônica Brasil	78.48%	Lemontree	21.52%	100.00%
Jointly controlled entities					
Aliança	Telefônica Brasil	50.00%	-	-	50.00%
AIX	Telefônica Brasil	50.00%	-	-	50.00%
ACT	Telefônica Brasil	50.00%	-	-	50.00%

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NOTES TO QUARTERLY INFORMATION

Six-month period ended June 30, 2013

(In thousands of reais, unless stated otherwise)

c. Operations

The Company’s main business purposes is the rendering of land-line telephone and data services in the state of São Paulo, under Fixed Switched Telephone Service Concession Arrangement (STFC) and authorizations, respectively. Its subsidiaries are also authorized to render STFC services in Regions I and II of the General Service Concession Plan (PGO/2008) and other telecommunications services, such as: data communication, including broadband internet (Multimedia Communication Service - SCM), mobile telephone services (Personal Mobile Services – SMP), all over the country, and pay TV services, to wit (i) by satellite all over the country; (ii) MMDS technology in the cities of São Paulo, Rio de Janeiro, Curitiba and Porto Alegre, through December 2013, as a result of the waiver signed by the Company, effects of which will become effective 18 months after June 5, 2012, as a condition for the Company to participate in the 4G auction, held on June 12 and 13, 2012; and (iii) cable in the cities of São Paulo, Curitiba, Foz do Iguaçu and Florianópolis.

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 Law of Telecommunications (“Lei Geral das Telecomunicações” - LGT), amended by Laws No. 9986, of July 18, 2000 and No. 12485, of September 12, 2011 (Notes 1.c.1 and 1.c.2). It operates under regulations and supplementary plans issued.

c.1) <u>STFC service concession arrangement</u>

The Company is an STFC operator to render land-line services in the local network and national long distance calls originated in sector 31 of region 3, which comprises the state of São Paulo (except for cities comprising sector 33), established in the General Service Concession Plan (PGO/2008).

The Company’s current STFC service concession arrangement was executed on June 30, 2011, is effective from July 1, 2011 to December 31, 2025, and was granted for valuable consideration. This arrangement provides for the possibility of amendments on December 31, 2015 and December 31, 2020. This condition allows ANATEL to set up new requirements and goals for universal and quality of telecommunication services, considering the conditions in place at the time.

The service concession arrangement establishes that all assets owned by the Company and that are indispensable to the provision of the services described in the referred to arrangement are considered reversible 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, 2013, estimated residual value of reversible assets was R$6,967,852 (R$6,911,508 at December 31, 2012), which comprised switching and transmission equipment and public use terminals, external network equipment, energy equipment and system and operation support equipment.

In accordance with the service concession arrangement, every two years, during the arrangement's 20-year effective term, the Company shall pay a fee which will correspond to 2% (two percent) of its prior-year STFC revenue, net of taxes and social contributions.

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c.2) Authorizations and frequencies related to mobile telephone services

Vivo is authorized to render SMP services, which are also regulated by ANATEL.

Frequency authorizations granted by ANATEL for mobile telephone services may be renewed only once, for a 15-year period, through a bianually payment after the first renewal of fees equivalent to 2% (two percent) of the Company's prior-year revenue, net of taxes and social contributions, related to the application of the Basic and Alternative Plans of Service.

Information on the areas of operation (regions) and termination of radiofrequency authorizations is the same as in Note 1.b2 – "Authorizations and frequencies related to mobile telephone services", disclosed in the financial statements as of December 31, 2012.

c.3) Corporate restructuring

In order to simplify the Company's current organizational structure, the rationalization of services provided by its subsidiaries and concentration of service provision on two operating entities, namely the Company and its wholly-owned subsidiary, TData, on March 15, 2012, the Company filed with ANATEL a request for previous approval of corporate restructuring, which became legally feasible due to legislation changes applicable to STFC operators through Law No. 12485.

This corporate restructuring was approved by ANATEL under the Act No. 3043, of May 27, 2013, published in the Federal Official Gazette (DOU) of May 29, 2013, with the conditions thereunder.

The Board of Directors' meeting of June 11, 2013 approved the terms and conditions of the corporate restructuring involving the wholly-owned subsidiaries and subsidiaries of the Company.

The corporate restructuring will be accomplished through spin-offs and mergers of subsidiaries and companies directly or indirectly controlled by the Company, so that the economic activities other than telecommunications services, including the provision of Value Added Services as defined in art. 61 of LGT (such activities, jointly and generally, referred to as SVAs), provided by the various wholly owned subsidiaries/subsidiaries will be concentrated in TData and telecommunication services will be unified in the Company.

The partial or total spin-offs, as the case may be, and the incorporation of net assets of the companies involved will occur all on the same time and with the same base date (April 30, 2013), as follows: the Company will incorporate (i) the spun-off net assets of TData acquisition, arising from its partial spin-off, corresponding to the activities related to the provision of service of Multimedia Communication Service (SCM) (ii) the spun-off net assets of Vivo, arising from their total spin off, corresponding to the use of SMP, SCM and STFC in local, domestic and international long distance calls in regions I and II of PGO; (iii) the spun-off net assets of ATelecom, arising from their total spin off, corresponding to the activities related to the provision of conditional access services (SEAC) (through the DTH technology) and SCM; and (iv) TST, which will concentrate the activities related to the provision of SEAC and SCM before its merger with the Company.

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The simplified chart reproduced below, demonstrates the corporate structure before the corporate restructuring:

(1) Current interest of T Brasil, with 89.74% of shares ON
(2) Current interest of T Brasil, with 83.88% of shares ON
(3) Current interest of TST, with 99.99% of shares ON

Below, we briefly describe the steps of spin offs and mergers of companies involved in the Company's corporate restructuring process.

- Merger of Lemontree, GTR-T, Ajato, CaTV and Sul Paraná by TST: Immediately before the merger of TST by the Company, however on the same date, TST will merge its subsidiary Ajato and entities Lemontree and GTR-T, the Company's wholly-owned subsidiaries and respective subsidiaries, Sul Paraná and CaTV. These entities were evaluated under the terms provided for in article 227 of Law No.6404/76, based on the corresponding accounting amounts at April 30, 2013, *ad referendum* of the general shareholders' meeting (SGM) of TST and its merger will lead to an capital increase of R$102,512 in TST, under the terms of Merger Protocol of these companies and the TST itself. With the incorporations by TST, the Lemontree, GTR-T, Ajato, CaTV and southern Paraná will cease to exist. Except for the Company and TST, companies above-mentioned do not have any shareholders and, therefore; the merger of these companies will not result in any refund to or protection of noncontrolling shareholders of the companies involved.

- Merger of TST by the Company: TST was evaluated under the provisions of article 227 of Law No. 6404/76, based on the corresponding accounting values at April 30, 2013. Considering the merger of

Lemontree, GTR-T, Ajato, CaTV and Sul Paraná by TST immediately before the merger of TST by the Company, the total amount of net assets of TST (corresponding to the sum of net assets of TST and net assets of the companies merged by it) to be incorporated by the Company will total R$226,583.

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- Merger of spun-off net assets of TData: TData will be spun-off in order to segregate the net asset related to the SCM portion from its equity. The portion of the net asset of TData to be merged by the Company was evaluated under the terms of article 227 of Law No. 6404/76, based on the related accounting values at April 30, 2013, *ad referendum* of the Company's general meeting, thus its net asset to be spun-off totaled R$34,724.

- Merger of the portion of Vivo's spun-off net assets: Vivo will be fully spun off, in order to segregate corresponding to the operation of SMP, SCM and STFC in local, domestic and international long distance calls in regions I and II of PGO, whose net asset will be merged by the Company. The SVAs and other services not considered telecommunication services will be merged by TData and Vivo will cease to exist. The portion of the net asset of Vivo to be merged by the Company was evaluated under the terms of article 227 of Law No. 6404/76, based on the related accounting values at April 30, 2013, *ad referendum* of the Company's general meeting, thus its net asset to be spun-off totaled R$10,228,352.

- Merger of the portion of ATelecom's spun-off net assets: ATelecom will be fully spun off, in order to segregate corresponding net assets related to the SVAs provided by ATelecom, which will be merged by TData. The net assets of ATelecom's remaining activities will be merged by the Company, and ATelecom will cease to exist. The portion of the net asset of ATelecom to be transferred to the Company was evaluated under the terms of article 227 of Law No. 6404/76, based on the related accounting values at April 30, 2013, *ad referendum* of the Company's general meeting, totaling R$348,624.

The intended merger of companies and net assets previously described will not result in capital increase or issue of new Company's shares, accordingly the corporate restructuring will not result in changes in the current equity interest of Company's shareholders.

There is no question of substituting shares of noncontrolling shareholders of the spun-off companies with shares of the merging company, since the Company is or will be, upon the merger of net assets and/or companies, as the case may be, the sole shareholder of companies to be spun off/ merged. Accordingly, an equity valuation report will not be performed at market price for the calculation of the substitution relation of shares of noncontrolling shareholders provided for by article 264 of Law No. 6404/76 and item VI, paragraph 1, article 2 of CVM Ruling No. 319/99, as recent understanding of the Brazilian Securities and Exchange Commission (CVM) already demonstrated in the consultations drawn up in similar restructuring processes as CVM Rule No. 559, of November 18, 2008.

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The mergers of companies portions spun-off as previously described will be carried out without interruption in relation to operations and telecommunication services provided to their customers, and such services fully will be entirely succeeded by the Company.

As previously mentioned, the implementation of the corporate restructuring will result in termination of operations of Vivo, ATelecom, TST, Lemontree, GTR-T, Ajato, CaTV and Sul Paraná and the organization chart is represented below:

d. Share trading on stock exchanges

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). It is also listed in the US Securities and Exchange Commission (SEC), and its level II American Depositary Shares (ADS), listed in preferred shares only, are traded on the *New York Stock Exchange* (NYSE).

d.1) Shares traded on the BM&F Bovespa

On September 21, 1998, the Company started trading its shares on the BM&F Bovespa, under tickers TLPP3 and TLPP4, for common and preferred shares, respectively.

In the Special Shareholders' Meeting of Vivo Participações S.A. (Vivo Part.) and Telecomunicações de São Paulo S. A. (Telesp) held on October 3, 2011, merger of Vivo Part. into Telesp was approved. On the same date, its corporate name changed to Telefonica Brasil S.A., and on October 6, 2011 the Company changed its ticker codes to VIVT3 and VIVT4 for common and preferred shares, respectively, and the stock exchange code to Telefonica Brasil.

d.2) Shares traded on the NYSE

On November 16, 1998, the Company started trading ADS on the NYSE, which, currently, has the following main characteristics:

- Type of share: preferred
- Each ADS represents 1 (one) preferred share.
- Shares are traded as ADS under ticker “VIV” on the NYSE.

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- Foreign depositary bank: *Citibank N.A.*
- Custodian bank in Brazil: *Citibank N.A.*

e. Agreement between Tel*efónica S.A.* and Telecom Italia (Act No. 3804, of July 7, 2009, and Act No. 68276, of October 31, 2007, both of ANATEL Board of Trustees)

In October 2007, TELCO S.p.A. (in which Telefónica S.A. holds 42.3% interest) completed the acquisition of 23.6% of Telecom Italia. Telefónica S.A. is the controlling shareholder of the Company which, in turn, is the controlling shareholder of Vivo. Telecom Italia holds interest in TIM Participações S.A. (TIM), a mobile telephone service company in Brazil. However, Telefónica S.A. and the Company are not directly involved in TIM operations. Furthermore, any transactions between the Company, its subsidiaries and TIM are ordinary telephone transactions regulated by ANATEL.

2. BASIS FOR PREPARATION AND PRESENTATION OF QUARTERLY INFORMATION

The Company's quarterly information (ITR) for the six-month period ending June 30, 2013 is presented in thousands of reais (unless stated otherwise) and is presented considering the Company's ability to continue as a going concern.

The Company and its subsidiaries have no seasonal operations.

This quarterly information compares the quarters ended June 30, 2013 and 2012, except for the balance sheets, which compare the Company's financial position as of June 30, 2013 to the financial position as of December 31, 2012

Company management, in meeting held on July 16, 2013, authorized that the issuance of this quarterly information, which was confirmed by the Board of Directors in meeting held on July 22, 2013.

The individual quarterly information was prepared and is presented in accordance with accounting practices adopted in Brazil, which comprise Brazilian Securities and Exchange Commission (CVM) rules and Brazilian Financial Accounting Standards Board (CPC) pronouncements, which are in compliance with the standards and procedures under the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), except for investment in subsidiaries, which are measured using the equity method

The consolidated quarterly information was prepared and is presented in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), which are not different from accounting practices adopted in Brazil, which comprise CVM rules and CPC pronouncements.

This quarterly information was prepared in accordance with accounting principles, practices and criteria consistent with those adopted in the preparation of the financial statements for the financial year ended December 31, 2012, in addition to the new pronouncements, interpretations and amendments, as follows:

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New IFRS and International Financial Reporting Interpretations Committee (IFRIC) with no significant impact on the financial position presented in this quarterly information:

IAS 1 Presentation of financial statements – Presentation of Other Comprehensive Income Items: IAS 1 reviews changes in the grouping of items presented in the other comprehensive income (OCI). Items that could be reclassified (or recycled) to P&L at certain time in the future (e.g.: net earnings of net investments in hedge operations, exchange gains/losses from translation of operations abroad, net changes in cash flow hedge or gains in sale of available-for-sale assets) should be presented separately from items that will never be reclassified (e.g.: actuarial gains or losses in defined benefit plans). Revisions are effective for financial years beginning on or after July 1, 2012. The application of these revisions affects presentation only, and has no impacts on the financial position or performance of the Company and its subsidiaries.

IAS 19 Employee benefits (Revision): International Accounting Standards Board (IASB) issued several amendments to the IAS 19, which comprised essential changes such as the elimination of the corridor method and considering the concept of expected return on plan assets, to simple clarifications on appreciations or devaluations and restatements. Revisions are effective for financial years beginning on or after January 1, 2013. The application of this amendment has no significant impacts on the financial position or performance of the Company and its subsidiaries.

IAS 28 – Investments in Associates and Joint Ventures (revised in 2011):As a result of recent IFRS 11 and IFRS 12, IAS 28 is now IAS 28 – Investments in Associates and Joint Ventures, and describes how to apply the equity method for investments in joint ventures, and investments in associates. Revisions are effective for financial years beginning on or after January 1, 2013. The application of this amendment has no significant impacts on the financial position or performance of the Company and its subsidiaries.

IFRS 1 – Accounting for Government Grants (Revised IFRS 1): These revisions establish the first-time application of IAS 20 Accounting for Government Grants and Disclosure requirements prospectively to government loans existing as of the transition date to IFRS. Entities may opt to retroactively apply IFRS 9 (or IAS 39, as the case may be) and IAS 20 requirements to government loans if the necessary information therefor is obtained upon initial recognition of this loan. This exception would release companies adopting the standard for the first time from the obligation to retroactively measure government loans at an interest rate lower than market rate. Revisions are effective for financial years beginning on or after January 1, 2013. Application of these revisions is expected to have no impacts on the Company and its subsidiaries for the first-time adoption period.

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IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities (Revised IFRS 7): These revisions require that an entity disclose information on offsetting rights and related agreements (such as guarantee agreement). Disclosures provide useful information for users to assess the effect of offsetting agreements on an entity's financial position. The new disclosures are required for all financial instruments recognized that are offset in accordance with IAS 32 Financial Instruments – Presentation. Disclosures are also applicable to financial instruments recognized subject to a principal offsetting contract or similar agreement, irrespective of whether they are offset or not in accordance with IAS 32. This revision became effective for financial years beginning on or after January 1, 2013. The application of these revisions affects presentation only, and has no impacts on the financial position or performance of the Company and its subsidiaries.

IFRS 10 Consolidated Financial Statements, IAS 27 Separated Financial Statements: IFRS 10 replaces the part of IAS 27 – Consolidated and Separate Financial Statements addressing the recognition of consolidated financial statements. It also addresses issues mentioned in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 sets forth a single control model, which is applicable to every entity, including SPE. Changes introduced by IFRS 10 will require that management exercise significant judgment to determine which entities are subsidiaries and, therefore, required to be included in the consolidation by a parent company, as in requirements contained in IAS 27. This standard became effective for financial years beginning January 1, 2013. The Company analyzed the referred to standard and identified no significant impacts on its quarterly information.

IFRS 12 Disclosure of Interests in Other Entities: IFRS 12 includes all preceding disclosures contained in IAS 27 related to consolidated financial statements, as well as all disclosures previously included in IAS 31 and IAS 28. These disclosures refer to interests in subsidiaries, joint ventures, affiliates and structured entities. This standard became effective for financial years beginning on or after January 1, 2013. The application of this standard affects presentation only, and has no impacts on the financial position or performance of the Company and its subsidiaries.

IFRS 13 – Fair Value Measurement: IFRS 13 establishes a single source of guidance, for IFRS purposes, for all fair value measurements. IFRS 13 does not change determination when an entity is required to use the fair value, but provides guidance on how to measure fair value under the IFRS when such fair value is required or allowed. This standard became effective for financial years beginning on or after January 1,

2013. Application of this standard has no impacts on the Company for the first-time adoption period.

IAS 34 - Interim financial statement: This revision aligns disclosure requirements for total assets of the segment and total liabilities of the segment in the interim financial statements. This clarification also ensures that interim reporting is in line with the annual reporting. These enhancements became effective for financial years beginning on or after January 1, 2013. Application of this standard has no impacts on the Company for the first-time adoption period.

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New IFRS and International Financial Reporting Interpretations Committee (IFRIC) with significant impacts on the financial position presented in this quarterly information:

IFRS 11 replaced IAS 31, *Interests in Joint Ventures,* and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 eliminated the option to account for jointly controlled entities based on proportional consolidation. Instead, jointly controlled entities qualifying for the *joint venture* definition shall be accounted for under the equity method. Application of this new standard impacted the financial position of the Company, and eliminated the proportional consolidation of Aliança, AIX and ACT. With application of this standard, investments in the aforementioned companies were accounted for based on the equity method. This standard became effective for annual periods beginning on or after January 1, 2013, and shall be retroactively applied to joint ventures held at first-time adoption date.

To facilitate understanding of the effects arising from application of this standard, consolidated information of the balance sheet as of December 31, 2012 and the income statement for the six-month period ended June 30, 2012, with corresponding adjustments and some reclassifications made for better presentation of the consolidated information, are as follows.

ASSETS	Balance sheet disclosed 12.31.12	Adjustments for the adoption of IFRS 11 and Reclassifications	Balance sheet at 12.31.12, disclosed at 6.30.13
Current			
Cash and cash equivalents	7,196,079	(62,594)	7,133,485
Trade accounts receivable, net	5,513,436	(1,164)	5,512,272
Inventories	387,809	-	387,809
Dividends and interest on equity	-	1,140	1,140
Taxes recoverable	2,052,423	(2)	2,052,421
Judicial deposits and garnishments	126,625	-	126,625
Derivative transactions	41,109	-	41,109
Prepaid expenses	248,337	-	248,337
Other assets	706,124	(141)	705,983
Total current assets	**16,271,942**	**(62,761)**	**16,209,181**

Noncurrent			
Short-term investments pledged as collateral	109,708	-	109,708
Trade accounts receivable, net	93,378	-	93,378
Taxes recoverable	738,965	-	738,965
Deferred taxes	1,029,598	(1,710)	1,027,888
Judicial deposits and garnishments	3,909,474	(206)	3,909,268
Derivative transactions	286,278	-	286,278
Prepaid expenses	31,396	-	31,396
Other assets	140,105	(47,797)	92,308
Investments	23,683	119,198	142,881
PP&E, net	17,610,851	(6,707)	17,604,144
Intangible assets, net	30,009,289	(3,592)	30,005,697
Total noncurrent assets	**53,982,725**	**59,186**	**54,041,911**
Total assets	**70,254,667**	**(3,575)**	**70,251,092**

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LIABILITIES AND EQUITY	Balance sheet disclosed at 12.31.12	Adjustments for the adoption of IFRS 11 and Reclassifications	Balance sheet at 12.31.12, disclosed at 6.30.13
Current			
Personnel, social charges and benefits	416,355	(103)	416,252
Trade accounts payable	5,889,377	(309)	5,889,068
Taxes, charges and contributions	1,781,480	(230)	1,781,250
Loans and financing	1,255,323	-	1,255,323
Debentures	702,215	-	702,215
Dividends and interest on equity	467,831	-	467,831
Provisions	496,790	-	496,790
Derivative transactions	29,586	-	29,586
Deferred revenue	734,573	-	734,573
Reverse split of fractional shares	389,510	-	389,510
Authorization license	994,977	-	994,977
Other liabilities	379,454	(37)	379,417
Total current liabilities	**13,537,471**	**(679)**	**13,536,792**
Noncurrent			
Taxes, charges and contributions	488,749	-	488,749
Deferred taxes	1,216,651	-	1,216,651
Loans and financing	3,756,001	-	3,756,001
Debentures	2,253,690	-	2,253,690
Provisions (a)	3,846,899	(393,262)	3,453,637
Liabilities with post-retirement benefit plans (a)	-	392,269	392,269
Derivative transactions	26,545	-	26,545
Deferred revenue	303,362	-	303,362
Other liabilities	144,179	(1,903)	142,276
Total noncurrent liabilities	**12,036,076**	**(2,896)**	**12,033,180**
Equity	**44,681,120**	**-**	**44,681,120**
Total liabilities and equity	**70,254,667**	**(3,575)**	**70,251,092**

(a) Actuarial liabilities of post-employment benefit plans were reclassified from “Provisions” to a specific line “Obligations with post-employment benefit plans.”

	Income statements	Adjustments for the adoption of	Income statements

	of 2Q12, disclosed at 6.30.12	IFRS 11 and Reclassifications	of 2Q12, disclosed at 6.30.13
Net operating revenue	16,557,810	(6,090)	16,551,720
Cost of services and goods (a)	(8,082,834)	(31,038)	(8,113,872)
GROSS PROFIT	**8,474,976**	**(37,128)**	**8,437,848**
Selling expenses (a)	(4,338,719)	30,018	(4,308,701)
General and administrative expenses	(1,107,819)	5,468	(1,102,351)
Other operating revenues, net	241,084	(731)	240,353
Equity pick-up	-	1,224	1,224
Income before financial income(expenses)	**3,269,522**	**(1,149)**	**3,268,373**
Financial income (expenses)	619,449	(232)	619,217
Financial expenses	(748,932)	-	(748,932)
Income before taxes	**3,140,039**	**(1,381)**	**3,138,658**
Income and social contribution taxes	(1,097,889)	1,381	(1,096,508)
Net income for the year	**2,042,150**	**-**	**2,042,150**

(a) R$30,018 refers to co-billing, which was reclassified between Cost of Services Rendered and Selling Expenses.

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New IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) not yet effective as of June 30, 2013.

IAS 32 – Offsetting Financial Assets and Financial Liabilities – Revised IAS 32: These revisions clarify the meaning of "currently legally entitled to offsetting." These revisions also provide clarification on the adoption of IAS 32 offsetting criteria for clearance systems (such as the clearing houses) which apply gross settlement mechanisms that are not simultaneous. These revisions are not expected to have an impact on the financial position, performance or disclosures of the Company and its subsidiaries for the first-time adoption period, and are effective for financial years beginning on or after January 1, 2014*".*

IFRS 9 — "Financial Instruments: Classification and measurement: IFRS 9, as issued, reflects the first phase of IASB work towards replacing IAS 39, and refers to the classification and measurement of financial assets and liabilities as established by IAS 39. This standard would be effective for annual periods beginning on or after January 1, 2013. However, standard IFRS9 (R) – Effective IFRS 9 Date and Transition Disclosures, issued in December 2011, amended the date it will become mandatorily effective to January 1, 2015. In subsequent phase, IASB will address the accounting for *hedge* instruments and impairment of assets. The adoption of the first phase of IFRS 9 will have effects on the classification and measurement of the financial assets of the Company and its subsidiaries, but will have no impacts on the classification and measurement of financial liabilities. The Company will quantify the overall effect with other phases when the final standard is issued. This will include all phases.

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	6.30.13	12.31.12	6.30.13	12.31.12 -Restated
Cash and bank accounts	25,383	18,398	77,712	94,304
Short-term investments	4,342,107	3,060,884	7,701,487	7,039,181
Total	**4,367,490**	**3,079,282**	**7,779,199**	**7,133,485**

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

In addition, the Company and subsidiaries have short-term investments as collateral to loans and legal proceedings in the amounts of R$253,472 and R$110,719 in current assets and noncurrent, respectively. The amount of current assets refers to investment of Vivo, with the possibility of early redemption at any time up to its maturity on November 7, 2013.

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NOTES TO QUARTERLY INFORMATION

Six-month period ended June 30, 2013

(In thousands of reais, unless stated otherwise)

4. TRADE ACCOUNTS RECEIVABLE, NET

	Company		Consolidated	
	6.30.13	12.31.12	6.30.13	12.31.12 -Restated
Billed amounts	1,664,911	1,622,311	4,241,334	4,032,169
Unbilled amounts	693,258	804,965	1,549,025	1,675,091
Interconnection amounts	447,411	338,014	990,720	977,644
Gross accounts receivable	**2,805,580**	**2,765,290**	**6,781,079**	**6,684,904**
Provision for impairment losses	(661,584)	(614,566)	(1,200,765)	(1,079,254)
Total	**2,143,996**	**2,150,724**	**5,580,314**	**5,605,650**
Current	2,143,996	2,150,724	5,355,643	5,512,272
Noncurrent	-	-	224,671	93,378

On June 30, 2013, the consolidated balance of noncurrent trade accounts receivable, includes R$124,572 related to the new business model of goods for resale for legal entities, with receipt maturing in up to 24 months.

The aging list of trade accounts receivable, net of the provision for impairment, is as follows:

	Company		Consolidated	
	6.30.13	12.31.12	6.30.13	12.31.12 -Restated
Falling due	1,303,970	1,395,227	4,226,588	4,297,961
Overdue - 1 to 30 days	391,793	377,142	735,908	718,838
Overdue - 31 to 60 days	114,030	113,042	215,617	218,930
Overdue - 61 to 90 days	62,375	51,107	126,893	188,835
Overdue - 91 to 120 days	38,109	27,955	65,714	60,648
Overdue - more than 120 days	233,719	186,251	209,594	120,438
Total	**2,143,996**	**2,150,724**	**5,580,314**	**5,605,650**

No customer represented more than 10% of net trade accounts receivable as of June 30, 2013 and December 31, 2012.

Changes in the provision for impairment are as follows:

	Company	Consolidated
Balance at 12.31.12	**(614,566)**	**(1,079,254)**
Additions (Note 24)	(154,474)	(402,103)
Write-offs	107,456	280,592
Balance at 6.30.13	**(661,584)**	**(1,200,765)**

Subsidiary A.Telecom has a product called “Soluciona TI,” which is the leasing of IT equipment to the small- and medium-sized enterprises, which receive therefor fixed installments over the lease agreement effective term. Considering the contractual terms, the Company classified this product as Finance Lease Agreement. There are no unguaranteed residual values resulting in benefits to the lessor or contingent payments recognized as revenue for the period.

The subsidiary Vivo implemented a new business model of goods for resale, with receipt maturing in up to 24 months.

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The consolidated balance of trade accounts receivable described above, comprises the following effects:

	6.30.13	12.31.12
Present value of amounts receivable	455,632	294,245
Unrealized financial income	18,001	7,757
Gross balance receivable	**473,633**	**302,002**
Provision for impairment losses	(96,085)	(86,648)
Net balance receivable	**377,548**	**215,354**
Current	152,877	121,976
Noncurrent	224,671	93,378

Aging list as of June 30, 2013 is as follows:

	Accounts receivable, gross	Present Value
Falling due up to one year	230,961	230,961
Falling due up to five years	242,672	224,671
Total	**473,633**	**455,632**

5. INVENTORIES

	Company		Consolidated	
	6.30.13	12.31.12	6.30.13	12.31.12
Materials for consumption	42,469	39,641	63,390	59,417
Materials for resale (a)	5,835	5,835	500,522	380,163
Other inventories	3,685	3,835	3,823	4,005
Gross total	**51,989**	**49,311**	**567,735**	**443,585**
Provision for impairment losses at realizable value and obsolescence	(24,974)	(24,908)	(64,932)	(55,776)
Total	**27,015**	**24,403**	**502,803**	**387,809**

(a) Includes, among others, mobile telephones, simcards (chip) and IT equipment in stock.

Changes in provision for impairment and for obsolescence are as follows:

	Company	Consolidated
Balance at 12.31.12	**(24,908)**	**(55,776)**
Additions	(2,685)	(82,088)
Reversals	2,619	72,932
Balance at 6.30.13	**(24,974)**	**(64,932)**

Cost of products sold, including amounts regarding provision for impairment and obsolescence, is stated in Note 23.

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NOTES TO QUARTERLY INFORMATION

Six-month period ended June 30, 2013

(In thousands of reais, unless stated otherwise)

6. DEFERRED TAXES AND TAXES RECOVERABLE

6.1 Taxes recoverable

	Company		Consolidated	
	6.30.13	12.31.12	6.30.13	12.31.12 -Restated
Withheld taxes and/or contributions	151,902	106,693	177,232	141,620
Income and social contribution taxes recoverable	124,404	453,933	268,555	528,109
State VAT (ICMS) (a)	368,965	366,211	1,638,395	1,631,088
ICMS agreement 39/ CAT Ordinance 06 (b)	120,202	178,535	218,750	288,520
Contribution Tax on Gross Revenue for Social Integration Program (PIS) and Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	39,642	39,265	112,237	148,092
Other	8,499	6,916	38,452	53,957
Total	**813,614**	**1,151,553**	**2,453,621**	**2,791,386**
Current	529,295	602,328	1,969,172	2,052,421
Noncurrent	284,319	549,225	484,449	738,965

(a) This refers to credits arising from additions to property, plant and equipment, subject to offsetting in 48 months.

(b) Refers to refund request for State Value-Added Tax (ICMS) paid for invoices cancelled at a later time.

6.2 Deferred taxes

The Company and its subsidiaries calculate deferred income and social contribution tax assets considering the existence of taxable profit for the past five financial years and expected future taxable profit generation, 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		Consolidated	
	6.30.13	12.31.12	6.30.13	12.31.12 -Restated
Deferred tax assets				
income and social contribution tax losses (a)	137,596	21,290	321,381	21,290
Incorporated tax credit (b)	3,154	9,461	3,154	9,461
IR and CS taxes on temporary differences (c)				
Provisions for civil, tax and labor proceedings	870,391	805,557	1,229,257	1,104,065
POST-RETIREMENT BENEFIT PLAN	131,400	126,605	138,478	133,371
Provision for impairment losses of accounts receivable	109,144	93,442	235,033	169,434
Provision for divestiture, losses and disposal of assets	9,035	7,467	233,654	210,107
Profit sharing	21,967	34,888	46,913	62,218
Accelerated accounting depreciation	136,011	128,070	238,327	421,768
Provision for impairment losses on inventories	8,491	8,469	21,628	13,951
Provision for loyalty program	-	-	30,470	28,168
Derivative transactions	15,794	26,522	36,813	42,922
Suppliers and other provisions	107,460	62,314	275,737	290,199
IR and CS taxes on temporary differences	34,816	81,926	34,816	134,460
Total deferred tax assets	**1,585,259**	**1,406,011**	**2,845,661**	**2,641,414**

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Deferred tax liabilities				
Incorporated tax credit (b)	(303,524)	(269,514)	(303,524)	(269,514)
IR and CS taxes on temporary differences (c)				
Law of technical innovation	(192,885)	(209,185)	(407,299)	(416,700)
Exchange variation	-	(3,383)	-	(3,383)
Customer portfolio	(504,127)	(546,383)	(504,127)	(546,383)
Trademarks and patents	(493,863)	(508,178)	(493,863)	(508,178)
License	(559,829)	(399,878)	(559,829)	(399,878)
Effects of goodwill generated in the merger of Vivo Part.	(456,632)	(344,927)	(456,632)	(344,927)
Goodwill of Vivo Part.	(373,617)	(266,870)	(373,617)	(266,870)
IR and CS taxes on temporary differences	(66,786)	(74,344)	(73,535)	(74,344)
Total deferred tax liabilities	**(2,951,263)**	**(2,622,662)**	**(3,172,426)**	**(2,830,177)**
Total net assets (liabilities), noncurrent	**(1,366,004)**	**(1,216,651)**	**(326,765)**	**(188,763)**
Total net deferred tax assets, noncurrent	**-**	**-**	**1,045,989**	**1,027,888**
Total net deferred tax liabilities, noncurrent	**(1,366,004)**	**(1,216,651)**	**(1,372,754)**	**(1,216,651)**

Deferred taxes were determined considering future realization, as follows:

a) <u>Income and social contribution tax losses:</u> this represents the amount recorded by the Company and its subsidiaries which, according to the tax legislation in Brazil, can be offset up to 30% of the tax bases computed for the following years, with no expiry date.

Tax credits of the Company and its subsidiaries arising from income and social contribution tax losses recognized and not recognized are as follows. During the six-month period ended June 30, 2013, there was no significant change in the business of the Company and its subsidiaries indicating that a provision for losses of the referred to tax credits would be required.

	Company	Consolidated

	Income tax	Social contribution tax	Total	Income tax	Social contribution tax	Total
Income and social contribution tax losses at 12.31.12 (Restated)	48,264	102,486	150,750	930,409	997,434	1,927,843
Tax credit (25% + 9%)	12,066	9,224	21,290	232,602	89,769	322,371
Tax credit recognized	12,066	9,224	21,290	12,066	9,224	21,290
Tax credit not recognized	-	-	-	220,536	80,545	301,081
Income and social contribution tax losses at 06.30.13	379,808	473,827	853,635	920,255	1,014,633	1,934,888
Tax credit (25% + 9%)	94,952	42,644	137,596	230,064	91,317	321,381
Tax credit recognized	94,952	42,644	137,596	230,064	91,317	321,381

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.

c) Income and social contribution taxes on temporary differences: Amounts may be realized upon payment of provisions, effective impairment or trade receivables, or realization of inventories, as well as upon reversal of other provisions.

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Changes in deferred income and social contribution tax assets and liabilities are as follows:

	Company			Consolidated		
Deferred tax assets	Tax loss	Deferred charges	Total	Tax loss	Deferred charges	Total
Balance at 12/31/12 (Restated)	**21,290**	**1,384,721**	**1,406,011**	**21,290**	**2,620,124**	**2,641,414**
Additions	116,306	114,704	231,010	300,091	380,114	680,205
Write-offs and realizations	-	(51,762)	(51,762)	-	(475,958)	(475,958)
Balance at 6.30.13	**137,596**	**1,447,663**	**1,585,259**	**321,381**	**2,524,280**	**2,845,661**

Deferred tax liabilities	Company	Consolidated
Balance at 12.31.12	**(2,622,662)**	**(2,830,177)**
Additions	(412,924)	(431,821)
Write-offs and realizations	84,323	89,572
Balance at 6.30.13	**(2,951,263)**	**(3,172,426)**

7. JUDICIAL DEPOSITS AND GARNISHMENTS

The Company and its subsidiaries have judicial deposits and garnishments related to civil, labor and tax claims, as follows:

a) Breakdown

	Company		Consolidated
	6.30.13	12.31.12	6.30.13

				12.31.12 -Restated
Judicial deposits				
Labor	899,603	830,081	1,020,197	933,866
Tax	1,597,476	1,549,738	2,310,060	2,182,513
Civil	690,323	667,646	913,318	866,668
Total	**3,187,402**	**3,047,465**	**4,243,575**	**3,983,047**
Garnishment	9,336	20,791	40,212	52,846
Total	**3,196,738**	**3,068,256**	**4,283,787**	**4,035,893**
Current	-	-	131,823	126,625
Noncurrent	3,196,738	3,068,256	4,151,964	3,909,268

b) Changes

			Company		
	Labor	Tax	Civil	Garnishment	Total
Balances at 12.31.12 in noncurrent assets	**830,081**	**1,549,738**	**667,646**	**20,791**	**3,068,256**
Inflows	93,848	7,633	12,000	23,460	136,941
Write-offs/reversals	(52,976)	-	(10,093)	(16,996)	(80,065)
Monetary restatement	15,461	40,105	16,040		71,606
Transfers	13,189		4,730	(17,919)	-
Balances at 6.30.13 in noncurrent assets	**899,603**	**1,597,476**	**690,323**	**9,336**	**3,196,738**

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	Consolidated				
	Labor	Tax	Civil	Garnishment	Total
Balance at 12.31.12 (Restated)	**933,866**	**2,182,513**	**866,668**	**52,846**	**4,035,893**
Inflows	111,244	113,500	24,673	34,335	283,752
Write-offs/reversals	(58,774)	(22,764)	(18,737)	(23,449)	(123,724)
Monetary restatement	19,960	35,534	32,372	-	87,866
Transfers	13,901	1,277	8,342	(23,520)	-
Balances at 6.30.13	**1,020,197**	**2,310,060**	**913,318**	**40,212**	**4,283,787**
Current	43,700	13,984	49,789	24,350	131,823
Noncurrent	976,497	2,296,076	863,529	15,862	4,151,964

At June 30, 2013, the Company and its subsidiaries had a number of tax-related judicial deposits, amounting to R$1,597,476 (R$1,549,738 as of December 31, 2012) and R$2,310,060 (R$2,182,513 as of December 31, 2012), Company and consolidated, respectively. In Note 18, we present further details on the matters from which main deposits stem.

Brief description of the main tax-related judicial deposits:

- <u>Social contribution tax on gross revenue for social integration Program (PIS) and social contribution tax on gross revenue for social security financing (COFINS)</u>

Vivo is involved in disputes related to: (i) claim arising from overpayment of tax credits, 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, 2013, consolidated judicial deposits amounted to R$19,835 (R$62,924 as of December 31, 2012).

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

The Company and its subsidiaries are involved in legal and administrative 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, 2013, judicial deposits amounted to R$5,111 (R$5,038 as of December 31, 2012) and R$140,367 (R$136,211 as of December 31, 2012), Company and consolidated, respectively

- 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 ANATEL understanding 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 its subsidiaries understand that such collection is unjustified, and therefore challenged the aforesaid fee in court.

At June 30, 2013, judicial deposits amounted to R$840,367 (R$818,502 as of December 31, 2012) for the Company and consolidated.

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- Withholding Income Tax (IRRF)

The Company and its subsidiaries were involved in disputes related to: (i) exemption of IRRF payment on offshore remittances for out-coming traffic (land-line operators); (ii) exemption of IRRF payment on interest on equity recognized (mobile operators); and (iii) IRRF levied on earnings from rentals and royalties, wage labor and fixed-income investments.

At June 30, 2013, judicial deposits amounted to R$49,841 (R$48,759 as of December 31, 2012) and R$59,505 (R$58,367 as of December 31, 2012), Company and consolidated, respectively.

- Corporate Income Tax (IRPJ)

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

At June 30, 2013, judicial deposits amounted to R$24,686 (R$24,095 as of December 31, 2012) and R$27,330 (R$25,422 as of December 31, 2012), Company and consolidated, respectively.

- Contribution to Empresa Brasil de Comunicação (EBC)

Sinditelebrasil (Union of Telephony and Mobile and Personal Services) filed an injunction challenging the Contribution to Foster Public Radio Broadcasting payable to EBC, introduces by Law No. 11652/2008. The Company and its subsidiaries, as union members, made judicial deposits referring to that contribution.

At June 30, 2013, judicial deposits amounted to R$36,904 (R$34,765 as of December 31, 2012) and R$495,794 (R$370,026 as of December 31, 2012), Company and consolidated, respectively.

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

The Company filed an injunction in order to nullify the entry stemming from collection of SAT and third party funds on payment of "Damages for Suspension of Benefits" due to the suspension of collective bargaining agreements of 1996/1997 and 1998/1999, and SAT rate difference (1% to 3% of work accident insurance).

At June 30, 2013, judicial deposits amounted to R$93,499 (R$91,915 as of December 31, 2012) for the Company and consolidated.

- Unemployment Compensation Fund (FGTS)

The Company filed an injunction in order to represent its right not to pay surtax of 0.5% and 10% for FGTS introduced by Supplementary Law No. 110/2001 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).

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At June 30, 2013, judicial deposits amounted to R$68,295 (R$66,386 as of December 31, 2012) for the Company and consolidated.

- Tax on Net Income (ILL)

The Company filed an injunction in order to represent its right to offset amounts unduly paid for ILL purposes against future IRPJ payments.

At June 30, 2013, judicial deposits amounted to R$50,357 (R$49,355 as of December 31, 2012) for the Company and consolidated.

- Universal Telecommunication Services Fund (FUST)

The Company and its subsidiaries petitioned for an injunction in order to have their right declared not to include expenses with interconnection (ITX) and Industrial Use of Dedicated Line (EILD) in FUST tax base for landline phone carriers and not to include revenues from ITX and EILD in FUST tax base for mobile phone carriers, according to Abridgment No. 7, of December 15, 2005, as it does not comply with the provisions contained in sole paragraph of article 6 of Law No. 9998, of August 17, 2000.

At June 30, 2013, judicial deposits amounted to R$346,709 (R$330,331 as of December 31, 2012) and R$359,345 (R$341,403 as of December 31, 2012), Company and consolidated, respectively.

- Provisional Contribution Tax on Financial Transactions (CPMF)

Given the merger of PTelecom Brasil S.A. into Vivo Part. (later merged into the Company) the judicial deposit balance related to the injunction filed by PTelecom Brasil S.A. was absorbed, so as to reject the requirement for CPMF on pro forma and simultaneous foreign exchange agreements, as required by the Central Bank of Brazil to translate foreign loans into investment.

At June 30, 2013, judicial deposits amounted to R$21,186 (R$20,899 as of December 31, 2012) for the Company and consolidated.

- <u>State Value-Added Tax (ICMS)</u>

The Company and its subsidiaries were 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 the acquisition of goods for the PP&E and electric energy; and (vi) activation cards for pre-paid services.

At June 30, 2013, judicial deposits amounted to R$166 (R$168 as of December 31, 2012) and R$37,305 (R$34,235 as of December 31, 2012), Company and consolidated, respectively.

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- Other taxes, charges and contributions

The Company and its subsidiaries were involved in disputes related to: (i) Service Tax (ISS) on non-core 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 or service providers engaged for workforce assignment; and (vi) Public Price for Numbering Resource Management (PPNUM) by ANATEL.

At June 30, 2013, judicial deposits amounted to R$60,355 (R$59,525 as of December 31, 2012) and R$96,875 (R$106,868 as of December 31, 2012), Company and consolidated, respectively.

8. PREPAID EXPENSES

	Company		Consolidated	
	6.30.13	12.31.12	6.30.13	12.31.12
Fistel fee (a)	-	-	521,640	-
License renewal fees	38,498	-	50,136	-
Advertising and promotion	3,801	817	120,874	173,688
Rentals	17,600	8,738	54,574	31,207
Insurance	2,653	4,731	4,551	10,705
Software and network maintenance	50,033	4,496	61,705	7,872
Financial charges	-	-	4,540	3,247
Taxes, charges and contributions	14,514	343	18,244	1,654
Other	11,687	7,485	22,162	19,964
Total current	**138,786**	**26,610**	**858,426**	**248,337**
Rentals	10,091	11,795	17,227	20,000
Insurance	2,310	3,144	3,449	3,545
Financial charges	-	-	3,164	3,905
Other	1,381	1,781	3,090	3,946

Total noncurrent	**13,782**	**16,720**	**26,930**	**31,396**

(a) Refers to the Operation and Inspection Fee for 2013 paid in March 2013, which will be amortized through the end of the year.

9. OTHER ASSETS

	Company		Consolidated	
	6.30.13	12.31.12	6.30.13	12.31.12 -Restated
Advances to employees and suppliers	46,780	70,888	76,851	97,152
Receivables from related parties	117,733	95,916	36,481	38,033
Subsidy on handsets’ sales	-	-	45,358	53,756
Receivables from suppliers	24,999	16,930	125,702	479,283
Other amounts - unrealized	14,663	14,711	26,080	37,759
Total current	**204,175**	**198,445**	**310,472**	**705,983**
Future capital contribution	40,020	-	-	-
Surplus – pension plan	18,403	17,595	49,909	48,048
Receivables from suppliers	31,489	-	31,489	-
Receivables from related parties	88,252	34,643	21,197	20,118
Other amounts - unrealized	23,187	23,349	23,874	24,142
Total noncurrent	**201,351**	**75,587**	**126,469**	**92,308**

Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

Six-month period ended June 30, 2013

(In thousands of reais, unless stated otherwise)

10. INVESTMENTS

A summary of significant financial data of Company investees is as follows.

a) *Information of investees – Wholly-owned subsidiaries*

At June 30, 2013								
	Vivo	TData	ATelecom	TSTV	TVA Sul	Lemontree	Comercial Cabo	GTR-T
Assets								
Current	9,639,169	321,185	512,319	16,116	2,588	9	61,245	757
Noncurrent	12,861,509	357,104	484,097	134,436	51,382	8,941	174,572	2,242
Total assets	**22,500,678**	**678,289**	**996,416**	**150,552**	**53,970**	**8,950**	**235,817**	**2,999**
Liabilities								
Current	7,884,478	237,693	239,370	25,760	6,312	434	94,939	9
Noncurrent	4,895,399	42,172	65,387	14,579	33,752	19	56,596	-
Equity	9,720,801	398,424	691,659	110,213	13,906	8,497	84,282	2,990
Total liabilities	**22,500,678**	**678,289**	**996,416**	**150,552**	**53,970**	**8,950**	**235,817**	**2,999**

At December 31, 2012								
	Vivo	TData	ATelecom	TSTV	TVA Sul	Lemontree	Comercial Cabo	GTR-T
Assets								
Current	9,877,926	358,299	498,074	40,087	2,178	6	25,435	801
Noncurrent	13,263,918	140,763	414,985	160,603	41,327	11,835	167,688	1,074
Total assets	**23,141,844**	**499,062**	**913,059**	**200,690**	**43,505**	**11,841**	**193,123**	**1,875**
Liabilities								
Current	8,213,367	174,535	218,126	34,818	9,522	437	117,652	14

Noncurrent	4,887,981	19,191	54,165	2,744	28,798	-	21,830	-
Equity	10,040,496	305,336	640,768	163,128	5,185	11,404	53,641	1,861
Total liabilities	**23,141,844**	**499,062**	**913,059**	**200,690**	**43,505**	**11,841**	**193,123**	**1,875**

	Vivo	TData	ATelecom	TSTV	TVA Sul	Lemontree	Comercial Cabo	GTR-T
Net earnings (loss)								
At June 30, 2013	1,740,186	93,482	50,927	(52,915)	4,908	(2,957)	(31,383)	1,129
At June 30, 2012	1,730,489	(68,010)	4,605	(25,415)	(2,264)	(7,166)	(12,332)	(539)

b) *Information of investees – Jointly controlled entities*

	At June 30, 2013			At December 31, 2012		
	Aliança	AIX	ACT	Aliança	AIX	ACT
Assets						
Current	125,010	16,044	10	116,322	13,414	10
Noncurrent	-	113,426	-	-	120,024	-
Total assets	**125,010**	**129,470**	**10**	**116,322**	**133,438**	**10**
Liabilities						
Current	2,160	3,214	2	2,302	3,280	-
Noncurrent	-	6,054	-	-	5,792	-
Equity	122,850	120,202	8	114,020	124,366	10
Total liabilities	**125,010**	**129,470**	**10**	**116,322**	**133,438**	**10**

Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

Six-month period ended June 30, 2013

(In thousands of reais, unless stated otherwise)

	Aliança	AIX	ACT
Net earnings (loss)			
At June 30, 2013	44	(4,164)	(2)
At June 30, 2012	1,522	928	(4)

c) *Changes in investments*

	Balance at 12.31.12 (Restated)	Additions	Equity pick-up	Dividends and interest on equity – declared and approved	Other comprehensive income	Balances at 6.30.13
Interest	**11,328,398**	**71,050**	**1,801,316**	**(2,058,833)**	**(518)**	**11,141,413**
Wholly-owned subsidiaries	**11,209,200**	**71,050**	**1,803,377**	**(2,058,833)**	**(4,911)**	**11,019,883**
A. Telecom S.A.	640,768	-	50,927	-	(36)	691,659
Telefônica Data S.A.	305,336	-	93,482	-	(394)	398,424
Telefônica Sistemas de Televisão S.A.	163,128	-	(52,915)	-	-	110,213
Vivo S.A.	10,040,496	-	1,740,186	(2,058,833)	(1,048)	9,720,801
GTR Participações e Empreendimentos S.A	1,861	-	1,129	-	-	2,990
Lemontree Participações S.A.	11,404	50	(2,957)	-	-	8,497
Comercial Cabo TV São Paulo S.A.	42,096	68,000	(31,383)	-	(3,078)	75,635
TVA Sul Paraná S.A.	4,111	3,000	4,908	-	(355)	11,664
Jointly controlled entities	**119,198**		**(2,061)**	**-**	**4,393**	**121,530**
Aliança Atlântica Holding B.V. (a)	57,010	-	22	-	4,393	61,425
	62,183	-	(2,082)	-	-	60,101

Companhia AIX de Participações (a)						
Companhia ACT de Participações (a)	5	-	(1)	-	-	4
Goodwill	**10,208,980**	**-**	**-**	**-**	**-**	**10,208,980**
Other equity interest	**23,683**	**-**	**-**	**(12,425)**	**(7)**	**11,251**
Other investments (a)	23,683	-	-	(12,425)	(7)	11,251
Total investments in the Company	**21,561,061**	**71,050**	**1,801,316**	**(2,071,258)**	**(525)**	**21,361,644**
Aliança Atlântica Holding B.V. (a)	57,010	-	22	-	4,393	61,425
Companhia AIX de Participações (a)	62,183	-	(2,082)	-	-	60,101
Companhia ACT de Participações (a)	5	-	(1)	-	-	4
Other investments (a)	23,683	-	-	(12,425)	(7)	11,251
Total investments in the consolidated	**142,881**	**-**	**(2,061)**	**(12,425)**	**4,386**	**132,781**

(a) Investments measured at fair value.

11. Property, plant and equipment, net

a) Breakdown

June 30, 2013:

	Company			Consolidated		
	PP&E cost	Accumulated depreciation	Net balance	PP&E cost	Accumulated depreciation	Net balance
Switching equipment	11,838,392	(10,593,771)	1,244,621	15,733,206	(13,501,036)	2,232,170
Equipment and transmission means	20,910,003	(16,395,259)	4,514,744	31,478,572	(24,274,456)	7,204,116
Terminal equipment and modems	5,618,221	(4,508,794)	1,109,427	10,249,002	(8,780,062)	1,468,940
Infrastructure	8,561,955	(6,130,991)	2,430,964	13,254,032	(9,360,150)	3,893,882

TV material and equipment	-	-	-	1,106,941	(848,063)	258,878
Other	1,489,805	(1,326,959)	162,846	3,698,334	(2,966,940)	731,394
Valuation allowance	(19,033)	-	(19,033)	(23,871)	-	(23,871)
Fixed assets in progress	608,147	-	608,147	1,319,573	-	1,319,573
Total	**49,007,490**	**(38,955,774)**	**10,051,716**	**76,815,789**	**(59,730,707)**	**17,085,082**

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Six-month period ended June 30, 2013

(In thousands of reais, unless stated otherwise)

At December 31, 2012:

	Company			Consolidated - restated		
	PP&E cost	Accumulated depreciation	Net balance	PP&E cost	Accumulated depreciation	Net balance
Switching equipment	11,688,628	(10,459,546)	1,229,082	15,533,267	(13,282,873)	2,250,394
Equipment and transmission means	20,514,733	(16,165,541)	4,349,192	30,733,907	(23,667,500)	7,066,407
Terminal equipment and modems	5,293,989	(4,219,074)	1,074,915	9,887,923	(8,319,035)	1,568,888
Infrastructure	8,620,997	(6,103,762)	2,517,235	13,303,406	(9,041,716)	4,261,690
TV material and equipment	-	-	-	1,054,592	(861,018)	193,574
Other	1,378,888	(1,224,644)	154,244	3,669,065	(2,863,220)	805,845
Valuation allowance	(14,262)	-	(14,262)	(19,073)	-	(19,073)
Fixed assets in progress	709,857	-	709,857	1,476,419	-	1,476,419
Total	**48,192,830**	**(38,172,567)**	**10,020,263**	**75,639,506**	**(58,035,362)**	**17,604,144**

b) Changes

	Company					
	Balance at 12.31.12	Additions	Write-offs, net	Net transfers	Depreciation (c)	Balance at 6.30.13
Switching equipment	1,229,082	19,810	-	129,955	(134,226)	1,244,621
Equipment and transmission means	4,349,192	174,176	(5,796)	241,763	(244,591)	4,514,744
Terminal equipment and	1,074,915	324,298	3,342	169	(293,297)	1,109,427

modems						
Infrastructure	2,517,235	28,482	(10,684)	26,318	(130,387)	2,430,964
Other	154,244	13,753	(682)	25,224	(29,693)	162,846
Valuation allowance (a)	(14,262)	(5,475)	704	-	-	(19,033)
Fixed assets in progress	709,857	325,378	(3,659)	(423,429)	-	608,147
Total	**10,020,263**	**880,422**	**(16,775)**	**-**	**(832,194)**	**10,051,716**

			Consolidated - restated			
	Balance at 12.31.12 - Restated	Additions	Write-offs net (a)	Net transfers (b)	Depreciation (c)	Balance at 6.30.13
Switching equipment	2,250,394	19,932	-	214,286	(252,442)	2,232,170
Equipment and transmission means	7,066,407	203,722	(14,475)	599,607	(651,145)	7,204,116