

TELEFONICA BRASIL S.A.  
Form 6-K  
August 14, 2012

**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, 2012**

**Commission File Number: 001-14475**

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**TELEFÔNICA BRASIL S.A.**

**(Exact name of registrant as specified in its charter)**

**TELEFONICA BRAZIL S.A.**

**(Translation of registrant's name into English)**

**Rua Martiniano de Carvalho, 851 – 21 andar**

**São Paulo, S.P.**

**Federative Republic of Brazil**

(Address of principal executive office)

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

Form 20-F

Form 40-F

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

Yes

No

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

**TELEFÔNICA BRASIL S.A.**

**QUARTERLY INFORMATION**

**JUNE 30, 2012**

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Directa Auditores

Rua Vergueiro, 2016, 8 e 9 andares  
- Vila Mariana

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**CE-0536/12**

## **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, 2012, which comprises the balance sheet and related statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the six-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 (Brazilian 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 e 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.



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## **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.

## **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, 2012, the presentation of which in the interim information is required according to standards issued by CVM (Brazilian SEC), 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 are not aware 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.

### **Audit and review of comparative amounts of previous year**

The Quarterly Information – ITR, mentioned in the first paragraph, includes accounting information corresponding to income, comprehensive income, changes in shareholders' equity, cash flows and added value of the quarter ended June 30, 2011, obtained from the Quarterly Information – ITR from that period, and those from the balance sheet of December 31, 2011, obtained from the financial statements as of December 31, 2011, presented for comparison purposes. The review of the Quarterly Information – ITR of the quarter ended June 30, 2011 and the examination of the financial statements from the period ended December 31, 2011 were conducted under the responsibility of other independent auditors, who issued review and audit reports dated July 26, 2011 and February 14, 2012, respectively, with no changes.

São Paulo, July 24, 2012.

**CRC Nº 2SP013002/O-3**



**Clóvis Ailton Madeira**

**CTCRC Nº 1SP106895/O-1 "S"**

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**TELEFÔNICA BRASIL S. A.**  
**Brazilian IRS Registry of Legal Entities (CNPJ) No. 02.558.157/0001-62**  
**PUBLICLY-HELD COMPANY**  
**Balance sheets**  
**June 30, 2012 and December 31, 2011**  
**(In thousands of reais)**

Assets	Company		Consolidated		LIABILITIES	Company		Con
	Jun/2012	Dec/2011	Jun/2012	Dec/2011		Jun/2012	Dec/2011	Jun/20
<b>Current assets</b>	<b>4,200,158</b>	<b>4,775,480</b>	<b>11,328,109</b>	<b>11,810,118</b>	<b>CURRENT LIABILITIES</b>	<b>5,624,519</b>	<b>6,398,178</b>	<b>11,396,4</b>
Cash and cash equivalents	477,986	826,902	2,105,630	2,940,342	Personnel, social charges and social benefits	206,615	244,438	428,6
Trade accounts receivable, net	2,262,624	2,286,636	4,958,278	5,105,860	Trade accounts payable	2,051,214	2,396,987	5,045,6
Inventory materials	31,763	31,836	487,136	471,721	Taxes, fees and contributions	508,193	700,187	1,573,7
Taxes recoverable	885,321	1,130,761	2,264,487	2,495,066	Loans and financing	418,725	510,899	915,3
Judicial deposits	-	-	212,470	116,421	Debentures	118,270	468,624	118,2
Derivative transactions	885	674	3,578	1,840	Dividends and interest on equity	1,293,505	972,986	1,293,5
Prepaid expenses	54,722	37,705	740,312	255,056	Provisions	306,771	287,137	444,7
Dividends and interest on equity	204,210	172,679	-	-	Derivative transactions	10,869	10,960	29,5
Other assets	282,647	288,287	556,218	423,812	Deferred revenue	74,367	84,956	763,8
<b>NON-CURRENT ASSETS</b>	<b>50,335,197</b>	<b>50,269,267</b>	<b>53,128,115</b>	<b>53,679,855</b>	Reverse split of fractional shares	346,138	346,396	389,6
Short-term investments pledged as collateral	-	-	105,488	99,114	Other liabilities	289,852	374,608	393,4
Trade accounts receivable, net	-	-	83,161	84,855	<b>NON-CURRENT LIABILITIES</b>	<b>5,513,401</b>	<b>5,320,852</b>	<b>9,662,3</b>
Taxes recoverable	572,404	787,852	783,856	1,014,959	Taxes, fees and contributions	31,224	32,390	457,9
Deferred taxes	-	-	1,166,970	1,428,878	Deferred taxes	989,257	788,954	989,2
Judicial deposits	3,026,088	2,815,964	3,752,081	3,400,244	Loans and financing	1,102,515	1,277,783	3,660,5
Derivative transactions	55,111	35,142	273,448	225,935	Debentures	797,742	787,807	797,7

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Prepaid expenses	16,129	18,290	41,927	32,138	Provisions	2,502,916	2,336,981	3,440,5
Other assets	142,838	109,221	142,033	148,293	Derivative transactions	7,459	13,382	35,4
					Deferred revenue	46,039	38,616	222,1
					Other liabilities	36,249	44,939	58,7
<b>INVESTMENTS</b>	<b>20,625,939</b>	<b>20,245,883</b>	<b>23,577</b>	<b>37,835</b>				
<b>FIXES ASSETS,</b>								
<b>NET</b>	<b>9,715,467</b>	<b>9,691,517</b>	<b>17,132,350</b>	<b>17,153,920</b>	<b>TOTAL EQUITY</b>	<b>43,397,435</b>	<b>43,325,717</b>	<b>43,397,4</b>
<b>INTANGIBLE</b>								
<b>ASSETS, NET</b>	<b>16,181,221</b>	<b>16,565,398</b>	<b>29,623,224</b>	<b>30,053,684</b>	<b>EQUITY</b>	<b>43,397,435</b>	<b>43,325,717</b>	<b>43,397,4</b>
					Capital	37,798,110	37,798,110	37,798,1
					Capital reserves	2,686,897	2,719,665	2,686,8
					Income reserves	877,322	877,322	877,3
					Award in the purchase of non-controlling interest	(70,448)	(29,929)	(70,44
					Other comprehensive income	(351)	7,520	(35
					Retained earnings	2,105,905	-	2,105,9
					Proposed additional dividend	-	1,953,029	
					<b>NON-CONTROLLING INTERESTS</b>	-	-	
<b>TOTAL ASSETS</b>	<b>54,535,355</b>	<b>55,044,747</b>	<b>64,456,224</b>	<b>65,489,973</b>	<b>TOTAL LIABILITIES</b>	<b>54,535,355</b>	<b>55,044,747</b>	<b>64,456,2</b>

**TELEFÔNICA BRASIL S. A.**  
**Brazilian IRS Registry of Legal Entities (CNPJ) No.**  
**02.558.157/0001-62**  
**PUBLICLY-HELD COMPANY**  
**Income statements**  
**Year ended June 30, 2012 and 2011**  
**(In thousands of reais)**

	<b>Company</b>		<b>Consolidated</b>	
	<b>Jun/2012</b>	<b>Jun/2011</b>	<b>Jun/2012</b>	<b>Jun/2011</b>
<b>NET OPERATING REVENUE</b>	<b>6,445,441</b>	<b>7,451,889</b>	<b>16,557,810</b>	<b>12,235,581</b>
Cost of services rendered and goods sold	(3,713,895)	(4,307,519)	(8,082,834)	(6,496,975)
<b>GROSS PROFIT</b>	<b>2,731,546</b>	<b>3,144,370</b>	<b>8,474,976</b>	<b>5,738,606</b>
<b>OPERATING REVENUES (EXPENSES)</b>	<b>(448,998)</b>	<b>(1,061,646)</b>	<b>(5,205,454)</b>	<b>(3,345,711)</b>
Service rendering	(1,597,374)	(1,482,032)	(4,338,719)	(2,798,898)
General and administrative expenses	(375,536)	(278,337)	(1,107,819)	(657,483)
Equity pickup	1,620,591	618,652	-	-
Other operating income (expenses), net	(96,679)	80,071	241,084	110,670
<b>INCOME BEFORE FINANCIAL INCOME AND EXPENSES</b>	<b>2,282,548</b>	<b>2,082,724</b>	<b>3,269,522</b>	<b>2,392,895</b>
Financial income (expenses), net	(47,482)	(10,997)	(129,483)	(5,513)
<b>INCOME BEFORE TAXES</b>	<b>2,235,066</b>	<b>2,071,727</b>	<b>3,140,039</b>	<b>2,387,382</b>
Income and social contribution taxes	(191,501)	(509,426)	(1,097,889)	(819,675)
<b>NET INCOME FOR THE PERIOD</b>	<b>2,043,565</b>	<b>1,562,301</b>	<b>2,042,150</b>	<b>1,567,707</b>
<b>Attributable to:</b>				
Net income attributed to non-controlling shareholders	-	-	(1,415)	5,406
Net income attributed to controlling shareholders	2,043,565	1,562,301	2,043,565	1,562,301
Basic and diluted earnings per share – Common	1.71	2.02	1.71	2.02
Basic and diluted earnings per share – Preferred	1.88	2.22	1.88	2.22



**TELEFÔNICA BRASIL S. A.**  
**Brazilian IRS Registry of Legal Entities (CNPJ) No. 02.558.157**  
**PUBLICLY-HELD COMPANY**  
**Statements of changes in equity**  
**Year ended June 30, 2012 and December 31, 2011**  
(In thousands of reais)

	Capital	Award in the purchase of non-controlling interest	Goodwill special reserve	Capital reserve	Treasury stock	Legal reserve	Retained earnings	Proposed additional dividend	Other c. Financ. Instrum. available for sale, net of IR/CS
<b>Balances at December 31, 2010</b>	<b>6,575,480</b>	-	<b>63,074</b>	<b>2,688,207</b>	<b>(17,719)</b>	<b>659,556</b>	-	<b>1,694,099</b>	<b>13,296</b>
Additional proposed dividend for 2010	-	-	-	-	-	-	-	(1,694,099)	-
Expired dividends and interest on equity, net of taxes	-	-	-	-	-	-	107,874	-	-
Capital increase through the incorporation of shares of Vivo Participações on 04/27/2011	31,222,630	-	-	47,723	-	-	-	-	-
Withdrawal rights to shareholders due to the incorporation of Vivo	-	-	-	-	(3)	-	-	-	-
Repurchase of shares	-	-	-	-	(61,617)	-	-	-	-
Non-controlling interest	-	(29,929)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	217,766	(217,766)	-	-
	-	-	-	-	-	-	4,355,318	-	-

Net income for the year									
Other comprehensive income	-	-	-	-	-	-	(42,997)		(3,412)
Appropriations:									
Dividends	-	-	-	-	-	-	(382,400)	-	-
Interest on equity	-	-	-	-	-	-	(1,586,950)	-	-
income tax on interest on equity	-	-	-	-	-	-	(280,050)	-	-
Proposed additional dividend	-	-	-	-	-	-	(1,953,029)	1,953,029	-
<b>Balances at December 31, 2011</b>	<b>37,798,110</b>	<b>(29,929)</b>	<b>63,074</b>	<b>2,735,930</b>	<b>(79,339)</b>	<b>877,322</b>	<b>-</b>	<b>1,953,029</b>	<b>9,884</b>
Additional proposed dividend for 2011	-	-	-	-	-	-	-	(1,953,029)	-
Expired dividends and interest on equity, net of taxes	-	-	-	-	-	-	62,340	-	-
Withdrawal rights to shareholders due to the incorporation of Vivo	-	-	-	-	-	-	-	-	-
Repurchase of shares	-	-	-	-	(32,768)	-	-	-	-
Non-controlling interest	-	(40,519)	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	2,043,565	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	(7,561)
<b>Balances at June 30, 2012</b>	<b>37,798,110</b>	<b>(70,448)</b>	<b>63,074</b>	<b>2,735,930</b>	<b>(112,107)</b>	<b>877,322</b>	<b>2,105,905</b>	<b>-</b>	<b>2,323</b>
<i>Outstanding shares (in</i>									

*thousands)*

**VPA – Equity  
value of  
Company’s  
shares**

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**TELEFÔNICA BRASIL S. A.****Cash flow statements****Year ended June 30, 2012 and 2011****(In thousands of reais)**

	<b>Company</b>		<b>Consolidated</b>	
	<b>Jun/2012</b>	<b>Jun/2011</b>	<b>Jun/2012</b>	<b>Jun/2011</b>
<b>CASH FROM OPERATING ACTIVITIES:</b>				
Income before taxes	2,235,066	2,071,727	3,140,039	2,387,382
<i>Items not affecting cash</i>				
<b>Expenses (revenues) not affecting cash</b>	<b>105,128</b>	<b>428,951</b>	<b>3,109,547</b>	<b>2,163,551</b>
Depreciation and amortization	1,306,276	952,080	2,670,681	1,867,789
Foreign exchange variations on loans	3,285	(45,478)	10,885	(27,354)
Monetary variations	16,603	(29,868)	(28,616)	(27,862)
Equity pickup	(1,620,591)	(618,654)	-	-
(Gain) / Loss in the write-off of assets	7,447	(75,317)	(380,699)	(106,592)
Provision for impairment losses	145,434	153,005	340,387	217,012
Pension and other post-retirement benefits plans	(3,617)	9,269	(8,109)	8,514
Tax, labor and civil provisions	123,525	4,112	230,258	42,114
Interest expense	121,621	82,096	253,242	159,701
Provision for demobilization	(188)	(453)	(1,819)	(805)
Provision for customer loyalty program	-	-	11,762	2,629
Other	5,333	(1,841)	11,575	28,405
(Increase) decrease in operating assets	<b>151,659</b>	<b>(445,590)</b>	<b>(327,307)</b>	<b>(558,010)</b>
Trade accounts receivable, net	(121,422)	(237,092)	(191,110)	(438,471)
Inventories	73	(182)	(20,806)	(116,591)
Other current assets	228,765	(7,700)	(133,334)	55,757
Other non-current assets	44,243	(200,616)	17,943	(58,705)
Increase (decrease) in operating liabilities	<b>(631,256)</b>	<b>(384,833)</b>	<b>(1,882,150)</b>	<b>(898,556)</b>
Personnel, social charges and social benefits	(37,823)	(16,400)	(66,963)	(927)
Trade accounts payable and accrued expenses	(189,703)	129,714	(678,709)	(36,532)
Taxes, fees and contributions	(190,177)	44,760	(180,872)	55,905
Other current liabilities	(95,601)	(99,571)	(142,281)	(116,241)
Other non-current liabilities	15,098	25,608	(20,109)	6,679
Interest paid	(123,567)	(80,229)	(236,198)	(185,620)
Income and social contribution taxes paid	(9,483)	(388,715)	(557,018)	(621,820)
<b>Total cash generated by operating activities</b>	<b>1,860,597</b>	<b>1,670,255</b>	<b>4,040,129</b>	<b>3,094,367</b>

**CASH FLOW FROM INVESTING ACTIVITIES:**

Acquisition of fixed and intangible assets, net of grants	(1,129,337)	(1,173,602)	(2,654,126)	(1,859,147)
Cash from sale of fixed assets	3,248	111,573	282,703	115,278
Cash from investing activities	7,551	-	10,069	-
Dividends and interest on equity	1,200,000	-	-	-
Cash and cash equivalents due to consolidation of companies	-	-	-	31,095
Cash and cash equivalents due to business combination	-	-	-	1,982,898
<b>Cash generated by (used in) investing activities</b>	<b>81,462</b>	<b>(1,062,029)</b>	<b>(2,361,354)</b>	<b>270,124</b>

**CASH FLOW FROM FINANCING ACTIVITIES**

Loans, financing and debentures	(637,737)	(206,410)	(849,922)	(314,733)
Loans and debentures	-	698,470	14,309	700,879
Net payment of derivative contracts	(3,144)	162	(27,780)	(8,742)
Acquisition of non-controlling interest	(44,171)	-	(44,171)	-
Repurchase of treasury stock	(32,769)	-	(32,769)	-
Dividends and interest on equity paid	(1,573,154)	(1,523,914)	(1,573,154)	(2,638,652)
<b>Cash used in financing activities</b>	<b>(2,290,975)</b>	<b>(1,031,692)</b>	<b>(2,513,487)</b>	<b>(2,261,248)</b>

Increase (decrease) in cash and cash equivalents	(348,916)	(423,466)	(834,712)	1,103,243
<b>Cash and cash equivalents at the beginning of the year</b>	<b>826,902</b>	<b>1,089,089</b>	<b>2,940,342</b>	<b>1,556,715</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>477,986</b>	<b>665,623</b>	<b>2,105,630</b>	<b>2,659,958</b>
<b>Changes in cash for the period</b>	<b>(348,916)</b>	<b>(423,466)</b>	<b>(834,712)</b>	<b>1,103,243</b>

**TELEFÔNICA BRASIL S. A.**  
**Brazilian IRS Registry of Legal Entities (CNPJ) No. 02.558.157/0001-62**

**PUBLICLY-HELD COMPANY**

**Statements of comprehensive income**

**Year ended June 30, 2012 and 2011**

**(In thousands of reais)**

	<b>Company</b>		<b>Consolidated</b>
	<b>Jun/2012</b>	<b>Jun/2011</b>	<b>Jun/2012</b>
<b>Net income for the period</b>	<b>2,043,565</b>	<b>1,562,301</b>	<b>2,042,150</b>
Unrealized gains (losses) on investments available-for-sale, net of taxes	(7,561)	1,374	(7,561)
Gains (losses) in derivative transactions, net of taxes	-	-	(2,851)
Accumulated adjustments in the translation of transactions in foreign currency	2,541	912	2,541
Interest in the comprehensive income of subsidiaries	(2,851)	-	-
<b>Net gains (losses) recognized in equity</b>	<b>(7,871)</b>	<b>2,286</b>	<b>(7,871)</b>
<b>Comprehensive income for the period</b>	<b>2,035,694</b>	<b>1,564,587</b>	<b>2,034,279</b>
Attributable to:			
Net income attributed to non-controlling shareholders	-	-	(1,415)
Net income attributed to controlling shareholders	2,035,694	1,564,587	2,035,694
Basic and diluted earnings per share – Common share	1.70	2.02	1.70
Basic and diluted earnings per share – Preferred share	1.87	2.22	1.87

**TELEFONICA BRASIL S.A. - TELESP**  
**Brazilian IRS Registry of Legal Entities (CNPJ) No. 02.558.157/0001-62**

**PUBLICLY-HELD COMPANY**

**Statements of Value Added**

**Years ended June 30, 2012 and 2011**

**(In thousands of reais)**

	<b>Company</b>		<b>Consolidated</b>	
	<b>Jun/2012</b>	<b>Jun/2011</b>	<b>Jun/2012</b>	<b>Jun/2011</b>
<b>Revenues</b>	<b>8,591,579</b>	<b>10,210,575</b>	<b>22,418,524</b>	<b>16,709,327</b>
Sale of goods and services	8,621,260	10,202,784	22,504,550	16,649,833
Other revenues	115,753	160,796	254,361	276,506
Allowance for doubtful accounts	(145,434)	(153,005)	(340,387)	(217,012)
<b>Inputs acquired from third-parties</b>	<b>(3,861,900)</b>	<b>(4,392,300)</b>	<b>(8,057,669)</b>	<b>(6,664,435)</b>
Cost of products, goods sold and services rendered	(2,719,640)	(3,310,029)	(4,993,985)	(4,363,253)
Materials, energy, outsourced services and other	(1,160,508)	(1,168,357)	(3,463,301)	(2,415,536)
Loss/recovery of assets	18,248	86,086	399,617	114,354
<b>Gross value added</b>	<b>4,729,679</b>	<b>5,818,275</b>	<b>14,360,855</b>	<b>10,044,892</b>
<b>Withholdings</b>	<b>(1,306,276)</b>	<b>(952,080)</b>	<b>(2,670,681)</b>	<b>(1,867,789)</b>
Depreciation and amortization	(1,306,276)	(952,080)	(2,670,681)	(1,867,789)
<b>Net value added produced</b>	<b>3,423,403</b>	<b>4,866,195</b>	<b>11,690,174</b>	<b>8,177,103</b>
<b>Net value added received by means of transfer</b>	<b>1,920,131</b>	<b>843,611</b>	<b>619,449</b>	<b>425,589</b>
Equity pickup	1,620,591	618,652	-	-
Financial income	299,540	224,959	619,449	425,589
<b>Total undistributed value added</b>	<b>5,343,534</b>	<b>5,709,806</b>	<b>12,309,623</b>	<b>8,602,692</b>
<b>Distribution of value added</b>	<b>5,343,534</b>	<b>5,709,806</b>	<b>12,309,623</b>	<b>8,602,692</b>
Personnel, social charges and social benefits	389,383	364,095	923,409	592,729
Direct compensation	276,492	267,508	672,131	452,808
Benefits	69,121	68,571	178,966	97,123
Unemployment Compensation Fund (FGTS)	43,770	28,016	72,312	42,798
Taxes, fees and contributions	2,464,254	3,254,188	7,762,052	5,327,700

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Federal	721,979	1,069,749	3,041,123	2,034,463
State	1,708,045	2,161,097	4,667,197	3,253,244
Local	34,230	23,342	53,732	39,993
Remuneration - third-party's capital	302,825	442,247	1,356,039	980,339
Interest	346,646	235,162	748,172	429,828
Rentals	(43,821)	207,085	607,867	550,511
Equity capital remuneration	2,043,565	1,562,301	2,042,150	1,567,707
Retained Earnings	2,043,565	1,562,301	2,043,565	1,562,301
Non-controlling interest	-	-	(1,415)	5,406
Other	143,507	86,975	225,973	134,217
Labor and civil provisions – net	143,507	86,975	225,973	134,217

**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY FINANCIAL INFORMATION**

**June 30, 2012**

**(In thousands of reais)**

**1. OPERATIONS**

**a. Controlling shareholders**

Telefônica Brasil S.A. (Company or Telefônica do Brasil) is headquartered at Rua Martiniano de Carvalho, 851, in the capital of the state of São Paulo, Brazil. The Company belongs to the Telefonica Group, the telecommunications industry leader in Spain which is also present in several European and Latin American countries. The Company is controlled by Telefónica S.A., which as of December 31, 2011 and June 30, 2012, held total direct and indirect interest of 73.81% of which 91.76% are common shares and 64.60% are preferred shares.

**b. Operations**

The Company's business purpose is the rendering of fixed wire telephone and data services in the state of São Paulo and mobile telephone services nationwide under Fixed Switch Telephone Service Concession Agreement (STFC) and authorizations, respectively. The Company and its subsidiaries have also authorizations to provide other telecommunications services, such as data communication to the business market, broadband internet services, mobile telephone services (Personal Mobile Services -SMP) and pay TV services, being: (i) by satellite all over the country; (ii) using (MMDS) Multichannel Multipoint Distribution Service technology in the cities of São Paulo, Rio de Janeiro, Curitiba and Porto Alegre and (iii) through cable in the cities of São Paulo, Curitiba, Foz do Iguaçu and Florianópolis.

The concessions and authorizations were granted by ANATEL, which is in charge of regulating the telecommunication sector in Brazil, according to the Law No 9.472, of July 16, 1997 – General Law of Telecommunication (“*Lei Geral das Telecomunicações*” - LGT), that was amended by Law No 9.986, of July 18, 2000 and No. 12485 of September 12, 2011 (Notes 1.b.1 and 1.b.2).

**b.1. Fixed Switch Telephone Service Concession Agreement (STFC)**

The Company is the concessionaire of the STFC to render fixed telephony 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 the municipalities that form the sector 33), established in the General Concession Plan (PGO/2008).

The current Concession Agreement dated June 30, 2011, in place since July 1, 2011 awarded as an onerous title, will be valid until December 31, 2025. However, the agreement can be reviewed on December 31, 2015 and December 31, 2020. Such condition allows ANATEL to set up new requirements and goals for universalization and quality of telecommunication services, according to the conditions in place at that moment.

**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY FINANCIAL INFORMATION**

**June 30, 2012**

**(In thousands of reais)**

The Concession Agreement establishes that all assets owned by the Company which are indispensable to the provision of the services described on such agreement are considered reversible assets and are deemed to be part of the concession assets. These assets will be automatically returned to ANATEL upon expiration of the concession agreement, according to the regulation in force at that moment. On June 30, 2012, the carrying amount of reversible assets is estimated at R\$ 6,744,275 (R\$ 6,698,899 as of December 31, 2011), comprised of switching and transmission equipment and public use terminals, external network equipment, energy equipment and system and operation support equipment.

In accordance with the Concession Agreement, every two years, during the agreement's new 20-year period, public regime companies will have to pay a fee which will correspond to 2% of its prior-year SFTC revenue, net of taxes and social contributions.

b.2. Commitments and relatives frequencies for mobile services

The business of Vivo S.A. (Vivo), including the services they can provide, are also regulated by ANATEL. Its action takes place through the issue of regulations and complementary plans.

The authorizations granted by ANATEL may be renewed just once, for a 15-year period. Biannually, after the first renewal, a payment of rates equivalent to 2% (two percent) of the company's revenue for the preceding year, net of taxes and mandatory social contributions related to the application of the Basic and Alternative Plans of Service.

Vivo is engaged in cellular mobile telephone services (Personal Mobile Service – SMP), including the activities necessary or useful for the performance of said services, in conformity with the authorities granted to it.

In the auctions for sale of national frequencies of 2.5 GHz pegged to the range of 450 MHz performed by ANATEL on June 12 and 13, 2012, Vivo won the lot 3 among those offered, in accordance with the tender



No. 004/2012/PVCP/SPV-Anatel.

Accordingly, when this lot is awarded to Vivo, it will improve its services to the fourth generation technology (4G) throughout the Brazilian territory operating at the range of 2.5 GHz, with bandwidth of 20+20 Mhz. In addition to bandwidth of 2.5 GHz, this lot includes a bandwidth of 450 MHz for rural areas of the states of Alagoas, Ceará, Minas Gerais, Paraíba, Pernambuco, Piauí, Rio Grande do Norte, São Paulo and Sergipe.

The amount offered for lot 3 was R\$ 1.05 billion. The amount to be paid and the use terms will observe the rules provided for by the tender and determined by ANATEL, adjusted in accordance with the remaining term of the licenses.

The end amount of licenses will be recorded as intangible assets by Vivo upon execution of the terms together with ANATEL, which may occur in the third quarter of 2012.

The information on operation areas (regions) and deadlines of authorization for radiofrequencies of 800/1900/2100 MHz and of the 23 lots (900 and 1800 Mhz) where Vivo was the winner, are the same of Note 1.b2 – Authorization and Frequencies in P&L of December 31, 2011.

**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY FINANCIAL INFORMATION**

**June 30, 2012**

**(In thousands of reais)**

**c. Share Trading in Stock Exchanges**

**c.1) Shares traded in the São Paulo Stock Exchange (BM&FBovespa)**

On September 21, 1998, the Company started trading its shares in the São Paulo Stock Exchange (BM&FBovespa), under tickers TLPP3 and TLPP4, for common and preferred shares.

The Extraordinary Shareholders' Meetings of Vivo Participações S.A. (Vivo Part.) and Telesp held on October 3, 2011, approved the merger of Vivo Part. into Telesp, which, on the same date, changed its corporate name to Telefônica Brasil S.A. 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 for Telefônica Brasil (see note 3).

**c.2) Shares traded in the New York Stock Exchange (NYSE)**

On November 16, 1998, the Company started the ADRs trading process in the New York Stock Exchange (NYSE), which currently have the following characteristics:

- Type of share: preferred.
- Each ADR represents 1 (one) preferred share.
- The shares are traded in the form of ADRs through code "VIV" on the New York Stock Exchange.
- Foreign depositary bank: The Bank of New York.

- Custodian bank in Brazil: Banco Itaú S.A.

#### **d. Agreement between Telefónica S.A. and Telecom Itália**

In October 2007, TELCO S.p.A. (in which Telefónica S.A. has a 42.3% interest), concluded the acquisition of 23.6% of Telecom Itália. Telefónica S.A. has indirect control over Vivo. Telecom Itália has interest in TIM Participações S.A. (TIM), a cell phone company in Brazil. As a result of the acquisition of its interest in Telecom Itália, Telefónica S.A. has no direct involvement with TIM operations. Furthermore, any transactions between the Company, Vivo and TIM are ordinary transactions regulated by ANATEL.

## **2. Basis of presentation of quarterly information**

The consolidated quarterly financial information (ITR) for the period ended June 30, 2012 are presented in thousands of reais (except when mentioned otherwise) and were prepared considering that the Company will continue operating as a going concern.

The individual quarterly financial information (ITR) was prepared and is presented in accordance with the accounting practices adopted in Brazil, which comprise the rules of the Brazilian Securities and Exchange Commission (CVM) and the Brazilian Accounting Pronouncements Board (CPC), in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), except for investments in subsidiaries evaluated based on the equity method.

**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY FINANCIAL INFORMATION**

**June 30, 2012**

**(In thousands of reais)**

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

These quarterly information have been prepared according to the principles, practices and accounting principles consistent with those adopted in preparing the financial statements for the fiscal year ended December 31, 2011, in addition to the new pronouncements, interpretations and amendments that entered into force on 1st January 2012, described as follows:

- **Amendments to IAS 12, Income Taxes - Recovery of Underlying Assets:** This amendment clarified the determination of deferred tax on investment property measured at fair value. Introduces a rebuttable presumption that the deferred tax on investment property measured at fair value model in IAS 40 should be set based on the fact that their carrying amount will be recovered through the sale. The Telefônica Group has chosen not to assess the investment property at fair value method in the initial adoption of International Accounting Standards, so this change does not apply.
- **Changes IFRS 7, Financial Instruments: Disclosures – Increase in Disclosures Related to Write-offs:** This amendment requires additional disclosures about financial assets that were transferred but not written off in order to enable the user of the information understand the relationship with those assets that have not been downloaded and their associated liabilities. In addition, the amendment requires disclosures about the continuing involvement in financial assets written off to allow the user to assess the nature of the entity's continuing involvement in those assets disposed of, as well as the associated risks. This amendment became effective for annual periods beginning on or after July 1, 2011 and in Brazil, only after the approval of the CPC and deliberation by the CVM for public companies. Currently this amendment is in the CPC Public Hearing.

It is worth mentioning that the amendment in question only affects the disclosures, but does not currently apply to the Company and has no impact on their performance or financial condition.



**Telefônica Brasil S. A.****NOTES TO QUARTERLY FINANCIAL INFORMATION****June 30, 2012****(In thousands of reais)****New IFRS and Interpretations of the IFRS (International Financial Reporting Interpretations Committee - IFRIC) not yet effective at June 30, 2012**

At the date of these quarterly information the following IFRS, amendments and interpretations of the IFRIC have been issued but their application was not mandatory:

		<b>Application required: fiscal years beginning at</b>
<b>Standards and Amendments to Standards</b>		
Amendments to IAS 1	<i>Presentation of items of other comprehensive income</i>	July 1, 2012
IFRS 10	<i>Consolidated Financial Statements</i>	January 1, 2013
IFRS 11	<i>Joint Arrangements</i>	January 1, 2013
IFRS 12	<i>Disclosure of Interests in Other Entities</i>	January 1, 2013
IFRS 13	<i>Fair Value Measurement</i>	January 1, 2013
IAS 19 reviewed	<i>Employee benefits</i>	January 1, 2013
IAS 27 reviewed	<i>Separate financial statements</i>	January 1, 2013
IAS 28 reviewed	<i>Investments in associates and joint ventures</i>	January 1, 2013
Amendments to IFRS 7	<i>Disclosure – offsetting of financial assets and financial liabilities</i>	January 1, 2013
Improvements to IFRS	<i>2009-2011 Cycle</i>	January 1, 2013
Amendments to IAS 32	<i>Offsetting of financial assets and liabilities</i>	January 1, 2014
IFRS 9	<i>Financial instruments</i>	January 1, 2015
Amendments to IFRS 7	<i>Disclosure in transaction from IFRS 9s</i>	January 1, 2015

The Company is currently analyzing the impact of the application of these standards, amendments and interpretations. Based on preliminary analysis conducted up to the present date, the Company estimates that their application will not have a significant impact on the consolidated financial statements on first time adoption. Notwithstanding, changes introduced by IFRS 9 will affect the presentation of financial assets and transactions with those occurring as from January 1, 2015.

The Company's Board of Directors, on a meeting held on July 24, 2012, authorized the issuance of this quarterly financial information.

## 2.1 Comparative information

This ITR compares the quarters ended June 30, 2012 and 2011, except in relation to the balance sheets, which are comparing the financial position as of June 30, 2012 with the financial position as of December 31, 2011.

The Company and its subsidiaries have no seasonal operations.

The table below shows the relationship of the companies directly and indirectly controlled by the Company and the Company's interest in their equity:

**Telefônica Brasil S. A.****NOTES TO QUARTERLY FINANCIAL INFORMATION****June 30, 2012****(In thousands of reais)**

Subsidiaries	06.30.12	12.31.11
Vivo S.A (a)	100%	100%
Telefônica Data S.A.	100%	100%
A.Telecom S.A.	100%	100%
Telefônica Sistema de Televisão S.A.	100%	100%
Ajato Telecomunicações Ltda.	100%	100%
GTR Participações e Empreend. S.A. (b)	100%	66.67%
TVA Sul Paraná S.A. (b)	100%	91.50%
Lemontree S.A. (b)	100%	83.00%
Comercial Cabo TV São Paulo S.A. (b)	100%	93.19%
Aliança Atlântica Holding B.V.(c)	50%	50%
Companhia AIX de Participações (c)	50%	50%
Companhia ACT de Participações (c)	50%	50%

(a) fully consolidated since April, 2011 (Notes 1 and 3).

(b) fully consolidated since January 2011 and full subsidiaries as from June 2012.

(c) jointly controlled.

The main events and changes in the consolidation environment that, due to their significance, should be considered for analysis are presented as follows:

a) Acquisition of Vivo Part. by the Company

In the Company's Extraordinary General Meeting held on April 27, 2011, was approved by unanimous vote, the Protocol of Merger of Shares and Justification signed between the Company and Vivo Part.. Each share of Vivo Part. has been exchanged by 1.55 shares of the Company. Due to this merger of shares, the Company's capital was increased by R\$ 31,222,630.

b) Grouping of SMP authorizations and incorporations of Vivo Part.



In the meeting of the Board of Directors of the subsidiary Vivo Part., held on June 14, 2011, was approved the proposal for merger of licenses to provide SMP service (previously held by Vivo Part. in the state of Minas Gerais and by Vivo in other states of Brazil), thus unifying the operations and of Authorization terms of SMP operation in Vivo.

The means proposed in making this corporate restructuring viable were the transfer, on October 1, 2011 of assets, rights and obligations related to the operation of SMP services in Minas Gerais by Vivo Part. to Vivo (mobile operator in the group that had SMP authorizations in other states of Brazil). When this grouping was completed, Vivo Part. became a holding.

In accordance with the provisions of Law No. 6404/76, a specialized company was engaged to prepare a valuation study for the part of Vivo Part.'s net assets corresponding to SMP operations in the state of Minas Gerais that was transferred to Vivo S.A.'s equity, as well as for the net equity of Vivo Part. that was incorporated into the Company.

**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY FINANCIAL INFORMATION**

**June 30, 2012**

**(In thousands of reais)**

Due to the fact that Vivo Part. was a whole owned subsidiary of the Company, since April 27, 2011, which net equity already included the investment of the shares in Vivo S.A., the merger: i) did not result in a capital increase for the Company; ii) there was no exchange of shares held by Vivo Part. non-controlling shareholders for Company's shares; and iii) there was no need to prepare a net equity valuation report to market price for the calculation of the exchange share ratio, as there didn't exist non-controlling shareholders to be protected.

Accordingly, under the terms of article 226, paragraphs I and II of Law No. 6404/76, the shares held by the Company in net equity value of Vivo Part. were cancelled. On conclusion of the corporate restructuring, Vivo Part. was incorporated by the Company on October 3, 2011 and Vivo S.A. became its full subsidiary, streamlining and rationalizing the cost structure of the companies involved.

The ITR include the Company's consolidated results of Vivo Part. (Incorporated by the Company on October 3, 2011) and Vivo results from April 1<sup>st</sup>, 2011. Vivo Participações S.A. and Vivo S.A. were included in the Company's consolidated financial statements through the full consolidation method.

c) Consolidation of TVA companies

As from June 1, 2011, the Company started to include the companies GTR Participações e Empreendimentos S.A. (GTR), TVA Sul Paraná S.A. (TVA Sul), Lemontree Participações S.A. (Lemontree) and Comercial Cabo TV São Paulo S.A. (Comercial Cabo) in its consolidated financial statements by applying the full consolidation method. Previously, these companies were included in the Company's consolidated financial statements through the equity method.

d) Acquisition of Lemontree in 2011

On September 29, 2011, the Company purchased 68,533,233 common shares representing 49% of the referred class of shares of Lemontree Participações S.A., which is the holder of 80.1% of the common shares of Comercial Cabo TV São Paulo S.A., a company engaged in cable TV services in the State of São Paulo. As a consequence, the Company currently has an interest of 83% in Lemontree Participações S.A. and 93.19% in Comercial Cabo TV São Paulo S.A. This transaction was considered as a non-controlling shareholders' acquisition for the purpose of disclosure and measurement in these quarterly information.

e) Acquisition of Lemontree and GTR shares in 2012

In June 2012, the Company exercised its call option in relation to (a) 71,330,508 remaining common shares, corresponding to 51% of the voting capital of Lemontree, which controls Comercial Cabo, a company that provides cable television services in the state of São Paulo; and (ii) 923,778 remaining common shares of GTR, holder of 50.9% of TVA Sul common shares, a company that provides cable television services outside the state of São Paulo, given that these shares were previously held by Abril group. The call option was exercised at said date, and concludes the acquisition of Lemontree and GTR remaining shares, which started with the partial exercise of the call option implemented on September 29, 2011, with the acquisition of Lemontree common shares, representing 49% of its capital.

**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY FINANCIAL INFORMATION**

**June 30, 2012**

**(In thousands of reais)**

The amounts corresponding to acquisition of the remaining common shares of Lemontree and GTR, as described above, totaled R\$ 37,737 and R\$ 6,434, respectively.

This transaction was considered the acquisition of non-controlling shareholders for presentation and measurement of this interim financial information.

With the exercise of this option, the Company now holds all voting shares and equity-representative shares of Lemontree and GTR and, indirectly of the companies providing cable television services located in the cities of São Paulo, Curitiba, Foz do Iguaçu and Florianópolis.

f) Disposal of shares of Zon Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.

On May 8, 2012, the Company disposed the 1,618,652 (1,196,395 directly and 422,257 through Aliança Atlântica) common shares representing 0.52% of Zon Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. (ZON) voting capital. The positive consolidated income (amount obtained from the disposal of the shares held and write-off of investments) of this transaction totaled R\$ 1,486.

g) Corporate restructuring

In Board of Directors' meeting held on May 15, 2012, the corporate restructuring proposal was approved for implementation through partial spin-off and merger involving full subsidiaries of the Company A. Telecom S.A. (ATelecom), Telefônica Data S.A. (TData), Telefônica Sistema de Televisão S.A. (TST), Vivo, Comercial Cabo and TVA Sul, so that, at the end of this process, the economic activities which are not telecommunication services, including value added services (as defined in Art. 61 of LGT), provided by the full subsidiaries, will be focused on Telefônica Data S.A. (which will remain operating), and the other telecommunication services will be unified by the Company, which, therefore, will incorporate the

companies.

Besides rationalizing the provision of services, the corporate restructuring (which is now feasible because of the applicable laws to STFC concessionaires) aims at streamlining the Company's current organizational structure, as well as integrating the business and generating synergy.

This operation was submitted to ANATEL on May 15, 2012 and will only become effective after its approval.

### **3. BUSINESS COMBINATION – ACQUISITION OF VIVO PART.**

As described in Note 2.a on April 27, 2011, the shareholders' meetings of the Company and Vivo Part. approved the acquisition of 100% of the shares of the latter by the Company, each share of Vivo Part. has been replaced by 1.55 shares of the Company. This operation was recorded using the acquisition method.

The provisional fair values, goodwill and cost of the identifiable assets acquired and liabilities assumed of Vivo Part. at acquisition dates are as follows:

**Telefônica Brasil S. A.****NOTES TO QUARTERLY FINANCIAL INFORMATION****June 30, 2012****(In thousands of reais)**

Preliminary information (in thousands of reais – R\$)	Fair value
Current asset	7,244,124
Non-current asset	28,134,683
Deferred tax assets, net(b)	417,883
Other non-current assets	2,385,177
Fixed assets	6,198,358
Intangible assets(a)	19,133,265
Current liabilities	(7,964,209)
Non-current liabilities	(5,352,456)
Other non-current liabilities(c)	(5,352,456)
<b>Net asset amounts</b>	<b>22,062,142</b>
Equity expenses	31,222,630
<b>Goodwill of the operation</b>	<b>9,160,488</b>

(a) Includes the allocation of fair value attributed to licenses (R\$ 12,876,000), trademark (R\$ 1,642,000) and customer base (R\$ 2,042,000). The Company does not consider trademark and customer base as deductible items for tax purposes.

(b) Includes the recognition of deferred income tax over (1) and (3).

(c) Includes allocation of fair value attributed to contingent liabilities of R\$ 283,000.

The fair value of accounts receivables for products sold and services rendered totals R\$ 2,809,561. The gross amount is R\$ 3,027,732. Over the gross amount of accounts receivables for products sold and services rendered, an allowance for doubtful accounts of R\$ 218,171 was recorded, for which settlement is expected in the net value of this provision.

According to IFRS 3 (R) - Business Combination, the acquirer must recognize, on the date of acquisition, contingent liabilities assumed on a business combination even if it is not likely that the outflow of resources to settle the liability are necessary, as long as a present obligation arising from past events exists and its fair value can be reliably measured. In compliance with the criteria above, in this acquisition, a contingent liability at fair value of R\$ 283,000 was recognized, based on the possible cash outflow estimated for its settlement on the acquisition date (see note 19).

<b>Analyses of cash flow upon acquisition:</b>	<b>In thousands of reais – R\$</b>
Transaction costs upon acquisition (included in cash generated in operations)	(9,066)
Cash and cash equivalents in the acquired company (included in cash in investing activities)	1,982,898
<b>Net outflow of cash and cash equivalents upon acquisition</b>	<b>1,973,832</b>

The transaction costs incurred to date in an amount of R\$ 9,066 were recorded in P&L as other operating expenses.

For information purposes only, we presented below an unaudited and/or not reviewed *pro forma combined statement of income* between the Company and the acquired company, Vivo Part., should the acquisition have taken place on January 1, 2011, without retroactively considering – as of said date – the accounting effects of the purchase price allocations (PPA). This statement does not intend to represent the actual results of the operations of the Company should the restructuring have taken place on the specified date, nor should it be used to project results of the Company's operations on any date or future period.

For the six-months period ended June 30, 2011 (unaudited/not reviewed)

## Telefônica Brasil S. A.

## NOTES TO QUARTERLY FINANCIAL INFORMATION

June 30, 2012

(In thousands of reais)

	Telefônica Brasil Consolidated for year ended June 30, 2011	Vivo Part. Consolidated for the three-month period ended March 31, 2011	Elimination (b)
<b>Net operating income</b>	<b>12,235,581</b>	<b>4,852,749</b>	<b>(802,456)</b>
Cost of services rendered and goods sold (a)	(6,496,976)	(2,336,229)	773,399
<b>Gross profit</b>	<b>5,738,605</b>	<b>2,516,520</b>	<b>(29,061)</b>
<b>Operating revenues (expenses)</b>	<b>(3,345,711)</b>	<b>(1,411,044)</b>	<b>29,061</b>
Service rendering (a)	(2,798,898)	(1,061,682)	36,545
General and administrative expenses (a)	(657,483)	(310,416)	
Other operating income (expenses), net	110,670	(38,946)	(7,484)
<b>Operating income before financial income(expenses)</b>	<b>2,392,894</b>	<b>1,105,476</b>	
Financial income (expenses), net	(5,512)	(39,794)	
<b>Income before taxes</b>	<b>2,387,382</b>	<b>1,065,682</b>	
Income and social contribution taxes	(819,675)	(355,476)	
<b>Net income for the period (c)</b>	<b>1,567,707</b>	<b>710,206</b>	
Net income attributed to shareholders of the controlling Company	1,562,301	-	
Net income attributed to shareholders of the non-controlling shareholders	5,406	-	

(a) Includes depreciation and amortization expenses amounting to R\$ 2,413,649.

(b) Includes mainly revenues and interconnection costs.

(c) Combined net income would be R\$ 2,142,762 in June 2011, should the effects of the amortization of intangible assets of the first 3 months of 2011 (R\$ 196,583), net of deferred income taxes amounting to R\$ 66,838 have they been included.

## 4. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	06.30.12	12.31.11	06.30.12	12.31.11
Cash and bank accounts	9,320	17,969	47,610	77,404
Short-term investments	468,666	808,933	2,058,020	2,862,938
<b>Total</b>	<b>477,986</b>	<b>826,902</b>	<b>2,105,630</b>	<b>2,940,342</b>



Short-term investments are basically CDB (Bank Deposits Certificate), indexed under CDI (Interbank Deposit Certificate) rate variation, which are readily liquid and maintained with reputable financial institutions.

## 5. TRADE ACCOUNTS RECEIVABLE, NET

	Company		Consolidated	
	06.30.12	12.31.11	06.30.12	12.31.11
Billed amounts	1,771,538	1,742,090	3,448,131	3,461,465
Unbilled amounts	844,936	941,614	1,770,222	1,855,801
Interconnection amounts	239,053	210,668	961,247	930,178
<b>Gross accounts receivable</b>	<b>2,855,527</b>	<b>2,894,372</b>	<b>6,179,600</b>	<b>6,247,444</b>
Provision for impairment of receivables	(592,903)	(607,736)	(1,138,161)	(1,056,729)
<b>Total</b>	<b>2,262,624</b>	<b>2,286,636</b>	<b>5,041,439</b>	<b>5,190,715</b>
Current	2,262,624	2,286,636	4,958,278	5,105,860
Non-current	-	-	83,161	84,855

Following are the aging list of net amounts receivable referring to provision for impairment of receivables:

**Telefônica Brasil S. A.****NOTES TO QUARTERLY FINANCIAL INFORMATION****June 30, 2012****(In thousands of reais)**

	Company		Consolidated	
	06.30.12	12.31.11	06.30.12	12.31.11
Falling due	1,549,261	1,653,269	3,854,492	4,103,377
Overdue - 1 to 30 days	376,965	371,256	693,081	631,923
Overdue - 31 to 60 days	104,697	97,504	186,958	204,775
Overdue - 61 to 90 days	59,868	46,932	134,140	115,125
Overdue - 91 to 120 days	49,532	24,188	92,841	49,815
Overdue - more than 120 days	122,301	93,487	79,927	85,700
<b>Total</b>	<b>2,262,624</b>	<b>2,286,636</b>	<b>5,041,439</b>	<b>5,190,715</b>

There was no customer representing over 10% of net accounts receivable at June 30, 2012 and December 31, 2011.

Changes in provision for impairment of receivables are as follows:

	Company	Consolidated
Balance at December 31, 2011	(607,736)	(1,056,729)
Additions (Note 25)	(145,434)	(340,387)
Write-offs	160,267	258,955
<b>Balances at June 30, 2012</b>	<b>(592,903)</b>	<b>(1,138,161)</b>

Subsidiary ATelecom offers "Posto Informático", a product that consists of the lease of IT equipment to small and medium-sized companies for fixed installments received over the agreed term. Considering the related contractual conditions, this product was classified as "Finance Lease" in the financial statements as of June 30, 2012 and December 31, 2011.

The consolidated accounts receivable reflect the following effects:

	06.30.12	12.31.11
Present value of minimum payments receivable	267,014	261,933

Unrealized financial income	7,171	8,941
Gross investment in lease receivable	274,185	270,874
Provision for impairment losses	(78,926)	(69,375)
<b>Total net amounts receivable</b>	<b>195,259</b>	<b>201,499</b>
Current	112,098	116,644
Non-current	83,161	84,855

Aging list of financial leases receivable on June 30, 2012:

<u>Year</u>	Gross investment	Present Value
Falling due up to one year	183,853	183,853
Falling due – up to five years	90,332	83,161
<b>Total</b>	<b>274,185</b>	<b>267,014</b>

There are neither unsecured residual values that produce benefits to the lessor nor contingent payments recognized as revenues during the period.

**Telefônica Brasil S. A.****NOTES TO QUARTERLY FINANCIAL INFORMATION****June 30, 2012****(In thousands of reais)****6. INVENTORIES**

	Company		Consolidated	
	06.30.12	12.31.11	06.30.12	12.31.11
Materials for consumption	49,915	54,124	74,880	94,547
Materials for resale (a)	7,034	7,030	476,171	435,032
Other inventories	5,603	6,333	5,842	6,468
<b>Gross total</b>	<b>62,552</b>	<b>67,487</b>	<b>556,893</b>	<b>536,047</b>
Provision for impairment losses and provision for obsolescence	(30,789)	(35,651)	(69,757)	(64,326)
<b>Total current</b>	<b>31,763</b>	<b>31,836</b>	<b>487,136</b>	<b>471,721</b>

(a) Includes, among others, cell phones, IT equipments and SIM card (chip).

Below we present the changes in provision for impairment and obsolescence:

	Company	Consolidated
Balance at December 31, 2011	(35,651)	(64,326)
Additions	(3,506)	(22,179)
Reversals	8,368	16,748
<b>Balances at June 30, 2012</b>	<b>(30,789)</b>	<b>(69,757)</b>

The cost of goods sold, including provision for decrease in realizable value are presented in Note 24.

**7. TAXES DEFERRED AND RECOVERABLE**7.1 Recoverable taxes

	Company		Consolidated	
	06.30.12	12.31.11	06.30.12	12.31.11
Withheld taxes and/or contributions	41,374	106,072	88,663	152,919
Income and social contribution				
taxes recoverable	737,876	1,051,864	820,610	1,143,988
State VAT (ICMS) (a)	389,034	422,679	1,675,812	1,665,896
ICMS agreement 39/ CAT	234,418	284,959	257,292	307,832
Ordinance 06				
PIS and COFINS	47,959	43,898	178,110	210,950
Other	7,064	9,141	27,856	28,440
<b>Total</b>	<b>1,457,725</b>	<b>1,918,613</b>	<b>3,048,343</b>	<b>3,510,025</b>
Current	885,321	1,130,761	2,264,487	2,495,066
Non-current	572,404	787,852	783,856	1,014,959

(a) The amount refers mainly to credits on the acquisition of property, plant and equipment items, available for offset against VAT obligations in 48 months.

## 7.2 Deferred taxes

The Company and its subsidiaries recognized deferred income and social contribution tax assets considering the existence of taxable income in the last five fiscal years and the expected generation of future taxable based on a technical feasibility study, approved by the Board of Directors on December 12, 2011.

## Telefônica Brasil S. A.

## NOTES TO QUARTERLY FINANCIAL INFORMATION

June 30, 2012

(In thousands of reais)

	Company		Consolidated	
	06.30.12	12.31.11	06.30.12	12.31.11
<b><u>Deferred tax assets</u></b>				
income and social contribution tax losses				
(a)	50,637	-	119,426	348,576
Incorporated tax credit (b)	15,768	22,076	28,211	46,962
IR and CS on temporary differences (c)				
Provisions for civil, tax and labor proceedings	720,763	671,989	975,886	888,297
Post-retirement benefit plan	102,585	98,833	109,249	98,833
Provision for impairment losses of accounts receivable	94,407	97,466	202,969	178,433
Provision for divestiture and losses on fixed assets	8,796	8,745	68,703	79,633
Profit sharing	20,757	43,368	42,919	82,564
Accelerated depreciation	116,915	101,668	408,914	433,512
Provision for impairment losses on inventories	10,468	12,121	17,445	17,542
Provision for loyalty program	-	-	27,399	23,399
Derivative transactions	28,703	37,352	56,595	69,387
Suppliers and other provisions	56,623	129,087	315,597	354,916
IR and CS taxes on temporary differences	115,661	99,143	231,129	237,574
<b>Total deferred tax assets</b>	<b>1,342,083</b>	<b>1,321,848</b>	<b>2,604,442</b>	<b>2,859,628</b>
<b><u>Deferred tax liabilities</u></b>				
Incorporated tax credit (b)	(238,591)	(207,668)	(238,591)	(207,668)
IR and CS taxes on temporary differences (c)				
Law of technical innovation	(169,356)	(224,254)	(264,745)	(333,156)
Exchange rate variation	(5,857)	(14,742)	(5,857)	(14,742)
Client portfolio	(588,639)	(630,896)	(588,639)	(630,896)
Trademarks and patents	(522,493)	(536,808)	(522,493)	(536,808)
License	(239,927)	(79,976)	(239,927)	(79,976)
Effects of goodwill generated in the merger of Vivo Part.	(301,811)	(258,695)	(301,811)	(258,695)
Goodwill of Vivo Participações S.A.	(160,122)	(53,374)	(160,122)	(53,374)
	(104,544)	(104,389)	(104,544)	(104,389)

IR and CS taxes on temporary differences

<b>Total deferred tax liabilities</b>	<b>(2,331,340)</b>	<b>(2,110,802)</b>	<b>(2,426,729)</b>	<b>(2,219,704)</b>
<b>Total net assets (liabilities), non current</b>	<b>(989,257)</b>	<b>(788,954)</b>	<b>177,713</b>	<b>639,924</b>
<b>Total net deferred tax assets, non current</b>	<b>-</b>	<b>-</b>	<b>1,166,970</b>	<b>1,428,878</b>
<b>Total net deferred tax liabilities, non current</b>	<b>(989,257)</b>	<b>(788,954)</b>	<b>(989,257)</b>	<b>(788,954)</b>

a) Tax loss carryforward and negative tax base: represent the amount recorded by the Company and its subsidiaries which, pursuant to the Brazilian legislation, may be offset up to the limit of 30% of the taxable income computed in the coming fiscal years and subject to no statute of limitations. The subsidiaries TData, AJato Telecomunicações Ltda (Ajato), GTR, Lemontree and TST did not record the potential deferred income and social contribution taxes credit that would arise from the use of the tax loss carryforwards and negative tax bases in the amount of R\$ 253,328 at June 30, 2012 (R\$ 241,361 at December 31, 2011), given the uncertainty, at this time, as to these subsidiaries ability to generate sufficient future taxable results to ensure the realization of these deferred taxes.

Below we present the tax credit amounts from tax loss carryforwards recognized and not recorded by the Company and its subsidiaries. During six months period ended June 30, 2012, there was no significant change in the Company's business or those of its subsidiaries that would indicate the need for a provision for the aforementioned tax credits.

## Telefônica Brasil S. A.

## NOTES TO QUARTERLY FINANCIAL INFORMATION

June 30, 2012

(In thousands of reais)

	Income tax	Company Social contribution	Total	Income tax	Consolidated Social contribution	Total
Income and social contribution tax losses at 12.31.11	-	-	-	1,745,928	1,705,050	3,450,978
Tax credit (25% + 9%)	-	-	-	436,482	153,455	589,937
Tax credit recognized	-	-	-	259,011	89,565	348,576
Tax credit not recognized	-	-	-	177,471	63,890	241,361
Income and social contribution tax losses at 06.30.12	91,593	308,207	399,800	1,048,165	1,230,146	2,278,311
Tax credit (25% + 9%)	22,898	27,739	50,637	262,041	110,713	372,754
Tax credit recognized	22,898	27,739	50,637	75,770	43,656	119,426
Tax credit not recognized	-	-	-	186,271	67,057	253,328

b) Merged tax credit: Relate to tax benefits arising from corporate reorganizations represented by goodwill amounts based on future expected profitability to be used in compliance with the limits established by tax legislation.

Changes in deferred income and social contribution tax assets and liabilities:

	Tax loss	Company Deferred charges	Total	Tax loss	Consolidated Deferred charges	Total
<u>Deferred charges</u>						
Balance at 12.31.11	-	1,321,848	1,321,848	348,576	2,511,052	2,859,628
Additions	50,637	75,641	126,278	50,637	75,641	126,278
Write-offs and realizations	-	(106,043)	(106,043)	(279,787)	(101,677)	(381,464)
<b>Total</b>	<b>50,637</b>	<b>1,291,446</b>	<b>1,342,083</b>	<b>119,426</b>	<b>2,485,016</b>	<b>2,604,442</b>

Deferred tax liabilities

Company Consolidated



Balance at 12.31.11	2,110,802	2,219,704
Additions	345,193	345,193
Write-offs and realizations	(122,736)	(136,249)
Other comprehensive income	(1,919)	(1,919)
<b>Balance at 06.30.12</b>	<b>2,331,340</b>	<b>2,426,729</b>

## 8. ESCROW DEPOSITS

The Company and its subsidiaries have escrow deposits and assets frozen by court order in connection with civil, labor and tax lawsuits, as follows:

### a) Breakdown

	Company		Consolidated	
	06.30.12	12.31.11	06.30.12	12.31.11
Labor	826,428	718,060	921,655	789,705
Tax	1,501,647	1,449,211	2,113,569	1,938,470
Civil	656,169	601,347	860,425	715,285
<b>Total</b>	<b>2,984,244</b>	<b>2,768,618</b>	<b>3,895,649</b>	<b>3,443,460</b>
Garnishment	41,844	47,346	68,902	73,205
<b>Total</b>	<b>3,026,088</b>	<b>2,815,964</b>	<b>3,964,551</b>	<b>3,516,665</b>
Current	-	-	212,470	116,421
Non-current	3,026,088	2,815,964	3,752,081	3,400,244

## Telefônica Brasil S. A.

## NOTES TO QUARTERLY FINANCIAL INFORMATION

June 30, 2012

(In thousands of reais)

b) Changes

	Company				
	Labor	Tax	Civil	Garnishment	Total
Balances at 12.30.11 in non-current assets	718,060	1,449,211	601,347	47,346	2,815,964
Additions	90,117	10,280	50,870	135,422	286,689
Write-offs/reversals	(4,154)	(8,096)	(21,108)	(140,121)	(173,479)
Monetary restatement	22,616	55,036	19,262	-	96,914
Transfers	(211)	(4,784)	5,798	(803)	-
<b>Balances at 06.30.12 in non-current assets</b>	<b>826,428</b>	<b>1,501,647</b>	<b>656,169</b>	<b>41,844</b>	<b>3,026,088</b>
Current	826,428	1,501,647	656,169	41,844	3,026,088
Non-current	-	-	-	-	-

	Consolidated				
	Labor	Tax	Civil	Garnishment	Total
Balances at 12.31.11	789,705	1,938,470	715,285	73,205	3,516,665
Additions	111,879	115,900	151,129	143,493	522,401
Write-offs/reversals	(4,875)	(9,686)	(33,596)	(143,279)	(191,436)
Monetary restatement	22,922	73,338	20,661	-	116,921
Transfers	2,024	(4,453)	6,946	(4,517)	-
<b>Balances at 06.30.12</b>	<b>921,655</b>	<b>2,113,569</b>	<b>860,425</b>	<b>68,902</b>	<b>3,964,551</b>
Current	29,338	15,468	146,751	20,913	212,470
Non-current	892,317	2,098,101	713,674	47,989	3,752,081

On June 30, 2012, the Company and its subsidiaries kept various judicial tax deposits amounting to R\$ 1,501,647 (R\$ 1,449,211 at December 31, 2011) for the Company and R\$ 2,113,569 (R\$ 1,938,470 at December 31, 2011) for consolidated. In Note 19 – Provisions, we presented more details on what generated these deposits.

A brief description of the main consolidated judicial tax deposits is as follows:

- PIS and COFINS

The subsidiary Vivo is part in judicial claims involving the following matters: i)

claim arising from tax debits offsetting with credits derived from overpayments not recognized by the tax authorities; ii) tax debt derived from underpayment due to fire in the ancillary statements (DCTF); and iii) disputes referring to changes in rates and increase in the taxable bases introduced by Law No. 9718/98.

As of June 30, 2012, the balance of escrow deposits amounted to R\$ 70,198 (R\$ 68,532 at December 31, 2011). The amounts provisioned related to such escrow deposits are disclosed in note 19.

- CIDE

The Company and subsidiaries are involved in administrative and judicial disputes for the exemption of the CIDE levied on offshore remittances of resources derived from agreements for the transfer of technology, brand and software licensing, etc.

On June 30, 2012, the balance of escrow deposits amounted to R\$ 4,957 (R\$ 4,852 at December 31, 2011) for the Company and R\$ 129,695 (R\$ 123,228 at December 31, 2011) for the consolidated. The amounts provisioned related to such escrow deposits are in note 19.

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- FISTEL

Due to extensions of licenses terms for utilization of telephony switches associated with the performance of commuted fixed telephony services (fixed operators) and extensions for the use of radio frequencies associated with the performance of personal mobile services (mobile operators), ANATEL collected TFI on the extension of the licenses granted and on the radio base stations, mobile stations and radio links.

Such tax collection was due to ANATEL's belief that the extension was a TFI taxable event. The Company and its subsidiaries have separately contested this tax at the administrative and judicial levels because they consider this collection improper.

On June 30, 2012, the balance of judicial deposits for Company and consolidated totaled R\$ 794,644 (R\$ 767,530 at December 31, 2011). The amounts provisioned related to these judicial deposits are disclosed in Note 19.

- IRRF

The Company and its subsidiaries had legal discussions related to the following topics: (a) have no IRRF (Withholding Income Tax) incidence over remittances to other countries for out coming traffic (fixed operators); (b) interest on shareholder's equity paid (mobile operators); (c) IRRF levied on rent and royalties income, salary, and fixed-rate financial investments; (d) debts referring to the offsetting of IRPJ and CSLL overpayments not recognized by the Federal tax authorities, and debt referring to fines derived from the untimely payment of IRRF.

As of June 30, 2012, the balance of judicial deposits totaled R\$ 47,458 (R\$ 46,051 at December 31, 2011) for the Company and R\$ 54,225 (R\$ 61,469 at December 31, 2011) for the consolidated. The amounts provisioned related to such escrow deposits are disclosed in note 19.

- IRPJ

The Company and its subsidiaries were party to judicial claims involving the following matters: (a) claims arising from tax debits offsetting with credits derived from overpayments not recognized by the Federal tax authorities; and (b) requirement of IRPJ estimates and lack of payment – debts in the integrated system of economic-fiscal information (SIEF).

As of June 30, 2012, the balance of escrow deposits totaled R\$ 23,449 (R\$ 22,617 at December 31, 2011) for the Company and R\$ 24,698 (R\$ 23,866 at December 31, 2011) for the consolidated. There are amounts provisioned related to such escrow deposits which are disclosed in note 19.

- EBC (Empresa Brasil de Comunicação) Contribution

Sinditelebrasil (Union of Telephony and Cellular and Personal Mobile Service Companies) filed a writ of mandamus challenging the Contribution for Development of the Public Radio Broadcasting payable to EBC, created by Law No. 11,652/2008. The Company and its subsidiaries, as union members, made escrow deposits referring to that contribution.

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As of June 30, 2012, the balance of escrow deposits totaled R\$ 33,727 (R\$ 31,053 at December 31, 2011) for the Company and R\$ 363,830 (R\$ 254,328 at December 31, 2011) for the consolidated. The amounts provisioned related to such escrow deposits are disclosed in note 19.

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

The Company filed a writ of mandamus in order to nullify the entry stemming from collection of SAT and third party funds on payment of "Indenização Compensatória por Supressão de Benefícios" due to the suspension of collective bargaining agreements of 1996/1997 and 1998/1999.

As of June 30, 2012, the balance of escrow deposits totaled R\$ 77,067 (R\$ 75,278 at December 31, 2011).

- Guarantee fund for years of service (FGTS)

The Company filed a writ of mandamus in order to declare its right not to pay surtax of 0.5% and 10% for FGTS – (*Fundo de Garantia por Tempo de Serviço*) established by Supplementary Law No. 110/2001 levied on deposits made by employers (the proceedings did not result in any reduction of part of the deposits for FGTS made by the Company on behalf of its employees).

As of June 30, 2012, the consolidated balance of escrow deposits totaled R\$ 64,390 (R\$ 62,154 at December 31, 2011). The amounts provisioned related to these escrow deposits are disclosed in note 19.

- Tax on Net Income (ILL)

The Company filed a writ of mandamus in order to declare its right to offset overpayments of Tax on Net Income with overdue installments of IRPJ.

As of June 30, 2012, the consolidated balance of judicial deposits totaled R\$ 48,212 (R\$ 46,770 at December 31, 2011). The amounts provisioned related to these escrow deposits are disclosed in Note 19.

- Universalization of telecommunications services fund (FUST)

The Company and its subsidiaries filed a writ of mandamus in order to declare its right to: (a) Fixed operations: non-inclusion of interconnection expenses (ITX) and EILD in the FUST tax base and (b) Mobile operations: non-inclusion of interconnection revenue (ITX) and EILD in the FUST tax base, in accordance with the provision Summary No. 7, dated December 15, 2005, as it does not comply with the provisions contained in sole paragraph of article 6 of Law No. 9,998, dated August 17, 2000.

As of June 30, 2012, the amount deposited totaled R\$ 313,945 (R\$ 291,019 at December 31, 2011) for the Company and R\$ 323,778 (R\$ 299,545 at December 31, 2011) for the consolidated. The amounts provisioned related to these escrow deposits are disclosed - in Note 19.

**Telefônica Brasil S. A.**

**NOTES TO QUARTERLY FINANCIAL INFORMATION**

**June 30, 2012**

**(In thousands of reais)**

- Provisional Contribution Tax on Financial Transactions (CPMF)

Due to merger of PTelecom Brasil S.A into the subsidiary Vivo Part., which was later merger into the Company, the escrow deposit balance, related to the writ of mandamus filed by PTelecom Brasil S.A, aiming to reject the requirement for CPMF on symbolic and simultaneous foreign-exchange contracts, required by the Brazilian Central Bank for the conversion of external loan into investment, was incorporated by the Company.

As of June 30, 2012, the consolidated balance of judicial deposits totaled R\$ 20,549 (R\$ 20,220 at December 31, 2011). The amounts provisioned related to these judicial deposits are included in the provisions commented in Note 19.

- State VAT (ICMS)

The Company and its subsidiaries are involved in judicial discussions comprising the following issues: (a) ICMS declared and not paid; (b) ICMS not levied on communication in default; (c) subject to the payment of fine for late tax payment, paid spontaneously; (d) ICMS supposedly levied on access, activation, habilitation, availability and use of services, as well as those related to supplementary services and additional facilities; (e) right to credit from the acquisition of goods designated to fixed assets and electricity; and (f) activation of cards for pre-paid services.

On June 30, 2012, the judicial balance totaled R\$ 166 (R\$ 33 at December 31, 2011) for the Company and R\$ 33,572 (R\$ 29,974 at December 31, 2011) for the consolidated. The amounts provisioned related to these judicial deposits are included in the provisions commented in Note 19.

- Other taxes and contributions



The Company and its subsidiaries had judicial discussions that comprise the following issues: (a) service tax (ISS) over non-core services; (b) municipal real estate tax (IPTU) not subject to exemption ; (c) municipal inspection, operation and publicity taxes; (d) differential rate SAT (1% to 3% - Work Accident Insurance); (e) use of soil rate; (f) pension contributions regarding the supposed lack of retention of 11% of the value of various bills, invoices and receipts for supplier contracted; (g) public price for Numbering Resources Management (PPNUM) by ANATEL.

On June 30, 2012, the amount deposited totaled R\$ 73,084 (R\$ 81,634 at December 31, 2011) for the Company and R\$ 108,710 (R\$ 105,576 at December 31, 2011) for the consolidated.

**Telefônica Brasil S. A.****NOTES TO QUARTERLY FINANCIAL INFORMATION****June 30, 2012****(In thousands of reais)****9. PREPAID EXPENSES**

	Company		Consolidated	
	06.30.12	12.31.11	06.30.12	12.31.11
Advertising and publicity	6,758	817	117,329	171,566
Fistel fee (a)	-	-	485,799	-
Rents	11,578	8,520	45,933	24,126
Insurance	1,538	6,452	9,867	10,289
Software maintenance	12,798	13,161	30,092	14,503
Financial charges	-	-	4,148	3,426
Taxes, fees and contributions	15,388	326	20,022	974
Other	6,662	8,429	27,122	30,172
<b>Total current</b>	<b>54,722</b>	<b>37,705</b>	<b>740,312</b>	<b>255,056</b>
Advertising and publicity	-	-	4,609	835
Rents	13,498	15,202	22,207	19,618
Insurance	647	860	1,320	1,695
Financial charges	-	-	4,648	5,317
Other	1,984	2,228	9,143	4,673
<b>Total non-current assets</b>	<b>16,129</b>	<b>18,290</b>	<b>41,927</b>	<b>32,138</b>

(a) Refers to the values and Operation Inspection Fee for the year 2012 which were paid in the first half and will be amortized by the end of the year.

**10. OTHER ASSETS**

	Company		Consolidated	
	06.30.12	12.31.11	06.30.12	12.31.11
Advances to employees and suppliers	42,207	47,889	71,268	62,123
Related parties receivables (Note 31)	206,745	190,333	34,994	40,285
Subsidy on handsets' sales	-	-	31,201	53,408
Suppliers receivables	-	7,050	332,898	184,748
Other assets	33,695	43,015	85,857	83,248

<b>Total current</b>	<b>282,647</b>	<b>288,287</b>	<b>556,218</b>	<b>423,812</b>
Receivables - Barramar S.A. (a)	-	-	50,023	52,248
Amounts linked to National Treasury securities (note 35)	452	13,819	452	13,819
Pension plans - surplus	43,779	29,621	44,835	31,210
Related parties receivables (Note 31)	47,957	37,068	18,364	20,214
Other assets	50,650	28,713	28,359	30,802
<b>Total non-current assets</b>	<b>142,838</b>	<b>109,221</b>	<b>142,033</b>	<b>148,293</b>

(a) Refers to receivables from Barramar S.A., registered in Companhia AIX de Participações, net of allowance for losses.

**Telefônica Brasil S. A.****NOTES TO QUARTERLY FINANCIAL INFORMATION****June 30, 2012****(In thousands of reais)****11. INVESTMENTS**

	Balances at 12.31.11	Additions	Equity pickup	Dividends declared and approved	comprehensive income	Other income	Net book value write-off	Balances at 06.30.12
<b>Interest in subsidiaries (I)</b>	<b>10,001,448</b>	<b>3,652</b>	<b>1,620,591</b>	<b>(1,231,531)</b>		<b>(778)</b>	<b>-</b>	<b>10,393,382</b>
Aliança Atlântica Holding B.V.	52,023	-	761	(1,140)		2,074	-	53,718
A. Telecom S.A.	722,857	-	4,605	-		-	-	727,462
Companhia AIX de Participações	64,775	-	464	-		-	-	65,239
Companhia ACT de Participações	3	-	(2)	-		-	-	1
Telefônica Data S.A.	198,555	-	(68,010)	-		-	-	130,545
Telefônica Sistemas de Televisão S.A.	213,387	-	(25,415)	-		-	-	187,972
Vivo S.A.	8,685,946	-	1,730,489	(1,230,391)		(2,852)	-	9,183,192
GTR Participações e Empreendimentos S.A (b)	2,073	776	(539)	-		-	-	2,310
Lemontree Participações S.A. (b)	19,681	2,876	(7,166)	-		-	-	15,391
Comercial Cabo TV São Paulo S.A. (b)	35,517							