

TELEFONICA BRASIL S.A.  
Form 6-K  
July 25, 2018

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

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

**For the month of July, 2018**

**Commission File Number: 001-14475**

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

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

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

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

Form 20-F

Form 40-F

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

Yes

No

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

Yes

No

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**MOBILE REVENUE GROWTH, ALLIED WITH THE DIGITAL TRANSFORMATION THAT CONTRIBUTED TO THE TENTH CONSECUTIVE QUARTER OF RECURRING COSTS REDUCTION, GUARANTEE SOLID EBITDA EVOLUTION IN 2Q18**

## Highlights

- **Total accesses** came to 97.8 million in June 2018, of which 75.3 million in the mobile business (+1.2% y-o-y) and 22.5 million in the fixed business (-3.1% y-o-y), maintaining the pace of postpaid and fiber net additions, partially offset by fixed voice disconnections;
- **Mobile market share** of 31.9% in May 2018 (+1.2 p.p. vs. May/17);
- **Postpaid mobile accesses** increased 10.8% y-o-y, reaching **market share** of 41.3% in May 2018 (17.8 p.p. higher than the second player);
- **Mobile ARPU<sup>1</sup>** recorded growth of 0.5% y-o-y in 2Q18, reaching R\$28.3, due to continuous improvement in the postpaid customer mix and the constant increase in Data consumption, whose ARPU grew by 10.0% y-o-y in the quarter;
- **Broadband accesses** reached 7.5 million customers in 2Q18 (+0.4% y-o-y), with 64.2% of the UBB<sup>2</sup> base, which grew 9.8% y-o-y, with 162 thousand new FTTH additions in the quarter Broadband ARPU advanced 12.0% y-o-y in 2Q18;
- **Net Operating Revenues** grew 1.1% y-o-y in 2Q18 (1.4% y-o-y in 6M18), maintaining the positive trajectory presented over the previous quarters;

- **Net Operating Mobile Revenues** reached 4.2% y-o-y in 2Q18 (4.2% y-o-y in 6M18). **Data and Digital Services Revenues** grew 11.5% y-o-y in 2Q18 and already represents 78.5% of mobile services revenue;
  
- **Recurring Operating Costs**<sup>3</sup> decreased 1.2% y-o-y in 2Q18 (1.2% y-o-y in 6M18), supported by the simplification, efficiency and digitization initiatives, leading to cost reduction for more than two years;
  
- **Recurring EBITDA**<sup>3</sup> totaled R\$3,732.4 million in the quarter, an increase of 5.8% y-o-y, with **Recurring EBITDA margin**<sup>3</sup> of 34.5% (+1.5 p.p. y-o-y). Considering non-recurring effects, **EBITDA** reached R\$5,183.1 million (+46.9% y-o-y), with **EBITDA margin** of 47.9%;
  
- **Capex** of R\$2,138.7 million in 2Q18, totaling R\$3,686.1 million in 6M18. **Recurring Operating Cash Flow (Recurring EBITDA<sup>3</sup> – Capex)** in the first semester was R\$3,811.5 million, slightly lower than the same period in 2017 due to the higher level of investments in the first semester of 2018;
  
- **Free Cash Flow from Business Activities** grew 13.9% in 6M18 (2.1% y-o-y in 2Q18), reaching R\$3,002.6 million, boosted by the operational improvement of the Company;
  
- **Accelerated expansion of 4G+ coverage, present in more than 700 cities** until the closing of this publication;
  
- **98 cities with FTTH**, launching 10 new cities in the first seven months of 2018;
  
- **Reported Net Income** in 2Q18 was R\$3,166.3 million, an increase of 262.7% y-o-y, due to the increase in EBITDA and non-recurring items in the quarter. In 6M18, Net Income totaled R\$4,264.3 million.

1) Pro forma figures, excluding the IFRS 15 effects.

2) UBB includes customers in FTTH (*Fiber to the Home*) and FTTC (*Fiber to the Cabinet*) technologies, as well as cable customers.

3) Excludes the following non-recurring effects: positive effect of R\$1,830.2M, mainly due to final judgment in the Superior Court of Justice, in favor of the Company, recognizing the right to deduct the ICMS from the basis of calculation of PIS/COFINS contributions; expense of R\$92.0M due to the adoption of a risk assessment model to calculate labor contingencies; expense of R\$170.6M due to the write-off assets related to judicial deposits; expense of R\$116.9M due to organizational restructuring.

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Telefônica Brasil S.A. (B3: VIVT3 and VIVT4, NYSE: VIV) discloses today its results for the second quarter of 2018, presented in accordance with the International Financial Reporting Standards (IFRS) and the pronouncements, interpretations and guidelines issued by the Accounting Pronouncements Committee. Totals are subject to differences due to rounding up or down.

The net operating revenues and operating costs of 2018 are presented under the adoption of IFRS 15<sup>1</sup>.

For better understanding and comparability of the information, we present below the consolidated statements of income for the six-month periods ended June 30, 2018 and 2017 in two scenarios, as follows:

**Pro forma:** excluding the effects of the adoption of IFRS 15<sup>1</sup> in the 2018 figures (comparable to 2017).

**Reported:** considering the effects of the adoption of IFRS 15<sup>1</sup> (referring to the new methodology of revenue allocation of customer contracts) only for the 2018 figures.

For comparison purposes, the texts explanations will refer to the *pro forma* figures, except in cases where we mention the IFRS 15<sup>1</sup> adoption

## HIGHLIGHTS

|                                |                 |            |                 |            |                 |            |
|--------------------------------|-----------------|------------|-----------------|------------|-----------------|------------|
| <b>Net Operating Revenues</b>  | <b>10,817.8</b> | <b>1.1</b> | <b>21,576.8</b> | <b>1.4</b> | <b>10,823.4</b> | <b>1.2</b> |
| Net Operating Service Revenues | 10,396.4        | (0.4)      | 20,846.2        | 0.4        | 10,345.2        | (0.9)      |
| Net Mobile Revenues            | 6,810.1         | 4.2        | 13,545.1        | 4.2        | 6,815.7         | 4.3        |
| Net Mobile Service Revenues    | 6,388.7         | 1.9        | 12,814.3        | 2.7        | 6,337.5         | 1.0        |
| Net Operating Fixed Revenues   | 4,007.7         | (3.7)      | 8,031.8         | (3.1)      | 4,007.7         | (3.7)      |
| Net Handsets Revenues          | 421.5           | 60.5       | 730.6           | 40.9       | 478.2           | 82.1       |

|  |                  |                  |                   |                 |                  |                  |
|--|------------------|------------------|-------------------|-----------------|------------------|------------------|
| <b>Operating Costs</b>                           | <b>(5,634.7)</b> | <b>(21.4)</b>    | <b>(12,628.6)</b> | <b>(11.3)</b>   | <b>(5,620.0)</b> | <b>(21.6)</b>    |
| <b>Recurring Operating Costs<sup>2</sup></b>     | <b>(7,085.4)</b> | <b>(1.2)</b>     | <b>(14,079.2)</b> | <b>(1.2)</b>    | <b>(7,070.7)</b> | <b>(1.4)</b>     |
| <b>EBITDA</b>                                    | <b>5,183.1</b>   | <b>46.9</b>      | <b>8,948.2</b>    | <b>27.1</b>     | <b>5,203.4</b>   | <b>47.5</b>      |
| <b>EBITDA Margin</b>                             | <b>47.9%</b>     | <b>14.9 p.p.</b> | <b>41.5%</b>      | <b>8.4 p.p.</b> | <b>48.1%</b>     | <b>15.1 p.p.</b> |
| <b>Recurring EBITDA<sup>2</sup></b>              | <b>3,732.4</b>   | <b>5.8</b>       | <b>7,497.6</b>    | <b>6.5</b>      | <b>3,752.7</b>   | <b>6.4</b>       |
| <b>Recurring EBITDA Margin<sup>2</sup></b>       | <b>34.5%</b>     | <b>1.5 p.p.</b>  | <b>34.7%</b>      | <b>1.7 p.p.</b> | <b>34.7%</b>     | <b>1.7 p.p.</b>  |
| <b>Net Income</b>                                | <b>3,152.9</b>   | <b>261.2</b>     | <b>4,231.7</b>    | <b>126.4</b>    | <b>3,166.3</b>   | <b>262.7</b>     |
| <b>Capex (ex-Licenses)</b>                       | <b>2,138.7</b>   | <b>17.6</b>      | <b>3,686.1</b>    | <b>17.2</b>     | <b>2,138.7</b>   | <b>17.6</b>      |
| <b>Operating Cash Flow (EBITDA - Capex)</b>      | <b>3,044.4</b>   | <b>78.0</b>      | <b>5,262.1</b>    | <b>35.1</b>     | <b>3,064.7</b>   | <b>79.2</b>      |
| <b>Recurring Operating Cash Flow<sup>2</sup></b> | <b>1,593.7</b>   | <b>(6.8)</b>     | <b>3,811.5</b>    | <b>(2.2)</b>    | <b>1,614.0</b>   | <b>(5.6)</b>     |
| <b>Total Accesses (thousand)</b>                 | <b>97,799</b>    | <b>0.2</b>       | <b>97,799</b>     | <b>0.2</b>      | <b>97,799</b>    | <b>0.2</b>       |
| Total Mobile Accesses                            | 75,262           | 1.2              | 75,262            | 1.2             | 75,262           | 1.2              |
| Total Fixed Accesses                             | 22,537           | (3.1)            | 22,537            | (3.1)           | 22,537           | (3.1)            |

1) New accounting standard in force since January 2018, which requires revenue to be recognized based on the contract with the customer, not necessarily aligned with billing. For Vivo, revenue recognition of mobile offers with handset subsidy will change, as the subsidy will now be distributed between services and handset. In addition, certain costs to acquire customers through contract will now have to be capitalized if the amortization period is >12 months;

2) Excludes the following non-recurring effects: positive effect of R\$1,830.2M, mainly due to final judgment in the Superior Court of Justice, in favor of the Company, recognizing the right to deduct the ICMS from the basis of calculation of PIS/COFINS contributions; expense of R\$92.0M due to the adoption of a risk assessment model to calculate labor contingencies; expense of R\$170.6M due to the write-off assets related to judicial deposits; expense of R\$116.9M due to organizational restructuring.



## Mobile Business

### OPERATING PERFORMANCE

|   |               |               |                   |               |                   |               |
|---|---------------|---------------|-------------------|---------------|-------------------|---------------|
| <b>Total Mobile Accesses</b>                        | <b>75,262</b> | <b>74,335</b> | <b>1.2</b>        | <b>75,098</b> | <b>0.2</b>        | <b>75,262</b> |
| Postpaid  | 38,435        | 34,683        | 10.8              | 37,499        | 2.5               | 38,435        |
| M2M   | 7,114         | 5,599         | 27.1              | 6,674         | 6.6               | 7,114         |
| Prepaid   | 36,827        | 39,652        | (7.1)             | 37,599        | (2.1)             | 36,827        |
| <b>Market Share<sup>1</sup></b>                     | <b>31.9%</b>  | <b>30.7%</b>  | <b>1.2 p.p.</b>   | <b>31.9%</b>  | <b>0.0 p.p.</b>   | <b>31.9%</b>  |
| Postpaid <sup>1</sup>                               | 41.3%         | 42.3%         | (1.0) p.p.        | 41.4%         | (0.1) p.p.        | 41.3%         |
| M2M <sup>1</sup>                                    | 41.8%         | 40.8%         | 1.0 p.p.          | 41.6%         | 0.2 p.p.          | 41.8%         |
| <b>Net Additions</b>                                | <b>164</b>    | <b>338</b>    | <b>(51.5)</b>     | <b>158</b>    | <b>3.7</b>        | <b>323</b>    |
| Postpaid  | 936           | 858           | 9.1               | 727           | 28.7              | 1,664         |
| Market Share of Postpaid Net Additions <sup>1</sup> | 36.9%         | 59.0%         | (37.5)            | 27.4%         | 34.8              | 31.2%         |
| <b>Market Penetration<sup>1</sup></b>               | <b>112.7%</b> | <b>116.6%</b> | <b>(3.9) p.p.</b> | <b>112.9%</b> | <b>(0.2) p.p.</b> | <b>112.7%</b> |
| <b>Monthly Churn</b>                                | <b>3.0%</b>   | <b>3.3%</b>   | <b>(0.3) p.p.</b> | <b>3.1%</b>   | <b>(0.1) p.p.</b> | <b>3.0%</b>   |
| Postpaid ex. M2M                                    | 1.7%          | 1.8%          | (0.1) p.p.        | 1.6%          | 0.1 p.p.          | 1.7%          |
| Prepaid   | 4.2%          | 4.6%          | (0.4) p.p.        | 4.5%          | (0.3) p.p.        | 4.4%          |
| <b>ARPU (R\$/month)<sup>2</sup></b>                 | <b>28.3</b>   | <b>28.2</b>   | <b>0.5</b>        | <b>28.6</b>   | <b>(0.8)</b>      | <b>28.5</b>   |
| Voice   | 6.1           | 8.0           | (23.5)            | 6.3           | (4.0)             | 6.2           |
| Data  | 22.3          | 20.2          | 10.0              | 22.2          | 0.1               | 22.3          |
| <b>Postpaid ex. M2M ARPU<sup>2</sup></b>            | <b>52.3</b>   | <b>52.6</b>   | <b>(0.5)</b>      | <b>52.6</b>   | <b>(0.4)</b>      | <b>52.5</b>   |
| <b>Prepaid ARPU<sup>2</sup></b>                     | <b>11.7</b>   | <b>13.1</b>   | <b>(10.6)</b>     | <b>12.9</b>   | <b>(8.9)</b>      | <b>12.3</b>   |
| <b>M2M ARPU<sup>2</sup></b>                         | <b>2.7</b>    | <b>3.2</b>    | <b>(13.4)</b>     | <b>2.6</b>    | <b>4.5</b>        | <b>2.7</b>    |

1) May 2018.

2) Pro forma figures, excluding IFRS 15 effects.

- **Total accesses** came to 75,262 thousand at the end of the second quarter of the year, 1.2% higher than 2Q17. The postpaid segment continued to grow consistently, reaching 38,435 thousand accesses (+10.8% y-o-y), representing 51.1% of the mobile customer base, an increase of 4.4 percentage points y-o-y.

- **Total market share** reached 31.9% in May 2018 (+1.2 p.p. y-o-y). In **postpaid**, Telefônica Brasil led the market and reached 36.9% of net additions in April and May (31.2% in the first five months of the year), with market share of 41.3% in May 2018. The Company continues to lead in the 4G-technology terminals, with market share of 33.0% in May 2018 (6.2 p.p. higher than the second-placed player), maintaining the quality of the customer base and the Company's strategy focused on data and digital services.
  
- **Net postpaid mobile additions** reached 1,664 thousand in 6M18 (936 thousand accesses in 2Q18), representing an increase of 28.7% y-o-y, while net prepaid disconnections totaled 1,341 thousand accesses in 6M18 (772 thousand accesses in 2Q18), focused on the continuity of the migration of prepaid customers to postpaid plans (hybrid and pure postpaid).

- The **Postpaid customer base** grew by 10.8%, while the **prepaid customer base** declined 7.1%, both in June 2018 and in relation to the same period of the previous year, due to the Company's ongoing strategy focused on the migration of prepaid customers to hybrid plans and the restrictive policy of disconnection of inactive customers within the criteria established by ANATEL.
- In the **Machine-to-Machine (M2M)** market, the access base continued to expand and reached 7.1 million customers in June 2018, a 27.1% increase when compared to the same period of last year. Telefônica Brasil is the leading company in this business, with market share of 41.8% in May 2018.
- **Total ARPU** rose 0.5% y-o-y in 2Q18, fueled by the performance of **Data ARPU**, which grew 10.0% in 2Q18 over the same period of last year.

## NET OPERATING MOBILE REVENUE

|                                      |                |               |                 |               |                |               |                 |               |
|--------------------------------------|----------------|---------------|-----------------|---------------|----------------|---------------|-----------------|---------------|
| <b>Net Operating Mobile Revenues</b> | <b>6,810.1</b> | <b>4.2</b>    | <b>13,545.1</b> | <b>4.2</b>    | <b>6,815.7</b> | <b>4.3</b>    | <b>13,580.5</b> | <b>4.5</b>    |
| <b>Net Mobile Service Revenues</b>   | <b>6,388.7</b> | <b>1.9</b>    | <b>12,814.3</b> | <b>2.7</b>    | <b>6,337.5</b> | <b>1.0</b>    | <b>12,716.5</b> | <b>1.9</b>    |
| <b>Outgoing Voice</b>                | <b>1,082.4</b> | <b>(29.7)</b> | <b>2,242.1</b>  | <b>(30.2)</b> | <b>1,089.8</b> | <b>(29.2)</b> | <b>2,255.2</b>  | <b>(29.8)</b> |
| <b>Interconnection</b>               | <b>286.3</b>   | <b>22.8</b>   | <b>551.4</b>    | <b>9.0</b>    | <b>286.3</b>   | <b>22.8</b>   | <b>551.4</b>    | <b>9.0</b>    |
| <b>Data and Digital Services</b>     | <b>5,016.2</b> | <b>11.5</b>   | <b>10,016.6</b> | <b>14.4</b>   | <b>4,957.7</b> | <b>10.2</b>   | <b>9,905.5</b>  | <b>13.1</b>   |
| Messaging P2P                        | 287.8          | (21.8)        | 595.0           | (19.7)        | 287.8          | (21.8)        | 595.0           | (19.7)        |
| Internet                             | 3,059.7        | (13.3)        | 6,187.5         | (10.6)        | 3,001.2        | (15.0)        | 6,076.4         | (12.3)        |
| Digital Services                     | 1,668.7        | 177.2         | 3,234.1         | 195.7         | 1,668.7        | 177.2         | 3,234.1         | 195.7         |

|                             |              |             |              |             |              |             |              |             |
|-----------------------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|
| <b>Other Services</b>       | <b>3.8</b>   | <b>n.a.</b> | <b>4.4</b>   | <b>64.2</b> | <b>3.8</b>   | <b>n.a.</b> | <b>4.4</b>   | <b>64.2</b> |
| <b>Net Handset Revenues</b> | <b>421.5</b> | <b>60.5</b> | <b>730.6</b> | <b>40.9</b> | <b>478.2</b> | <b>82.1</b> | <b>864.0</b> | <b>66.6</b> |

**% Data and Digital Services Revenues / MSR**    **78.5% 6.8 p.p.**    **78.2% 8.0 p.p.**    **78.2% 6.5 p.p.**    **77.9% 7.7 p.p.**

Net Mobile revenue increased 4.2% y-o-y in 2Q18. This growth was mainly due to the expansion of Data and Digital Services Revenues (+11.5% y-o-y), higher Net Handset Revenues (+60.5% y-o-y), and the dissemination of unlimited voice plans in the sector that positively reflected in the Interconnection Revenues (+22.8% y-o-y). On the other hand, the maturity of services such as Voice and SMS affected negatively the performance of Net Mobile Revenues.

**Outgoing Voice** Revenues fell 29.7% in comparison to 2Q17, mainly reflecting the migration to data services consumption. In addition, the prepaid segment continued to be influenced by the lower volume of top-ups in the annual comparison, mainly due to macroeconomic conditions and the migration of customers to hybrid plans.

**Interconnection** Revenues grew 22.8% compared to 2Q17, mainly due to the expansion of unlimited voice plans in the sector, partially offset by the MTR tariff reduction in February 2018.

**Data and Digital Services** Revenues increased 11.5% y-o-y in 2Q18 and continued to be the Company's main driver of revenue growth, as a result of our data-centric strategy. For a further quarter, the significant growth of the Digital Services Revenues and the higher adoption of the family plans contributed to this performance. In the quarter, Data and Digital Services Revenues rose to 78.5% of Net Mobile Services Revenues, up 6.8 p.p. y-o-y.

**SMS (P2P Messaging)** Revenues registered a reduction of 21.8% y-o-y in 2Q18, reflecting the lower consumption of this service due to its maturity.

**Mobile Internet** Revenues decreased 13.3% in the annual comparison. This performance was directly related to the higher usage and consumption of digital services, reflecting in the migration of revenues between the lines.

In 2Q18, **Digital Services** Revenues presented an increase of 177.2% y-o-y, representing 33.3% of the Data and Digital Services Revenues (+19.9 p.p.), due to the inclusion of value-added services in the prepaid, hybrid and pure postpaid offerings since 2017.

**Net Handset Revenues** presented an increase of 60.5% over the same quarter of the previous year, in line with the strategy of accelerating and gaining market share in this relevant and expanding business, through our brand and our sales channels, attracting high value consumers to our physical and online stores.

## FIXED LINE Business

## OPERATING PERFORMANCE

|                                   |               |               |               |               |              |               |               |               |
|-----------------------------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|
| <b>Total Fixed Accesses</b>       | <b>22,537</b> | <b>23,250</b> | <b>(3.1)</b>  | <b>22,714</b> | <b>(0.8)</b> | <b>22,537</b> | <b>23,250</b> | <b>(3.1)</b>  |
| <b>Fixed Voice Accesses</b>       | <b>13,460</b> | <b>14,168</b> | <b>(5.0)</b>  | <b>13,679</b> | <b>(1.6)</b> | <b>13,460</b> | <b>14,168</b> | <b>(5.0)</b>  |
| Residential                       | 8,536         | 9,178         | (7.0)         | 8,728         | (2.2)        | 8,536         | 9,178         | (7.0)         |
| Corporate                         | 4,482         | 4,545         | (1.4)         | 4,510         | (0.6)        | 4,482         | 4,545         | (1.4)         |
| Others                            | 442           | 444           | (0.5)         | 442           | 0.0          | 442           | 444           | (0.5)         |
| <b>Fixed Broadband</b>            | <b>7,463</b>  | <b>7,435</b>  | <b>0.4</b>    | <b>7,443</b>  | <b>0.3</b>   | <b>7,463</b>  | <b>7,435</b>  | <b>0.4</b>    |
| <b>UBB</b>                        | <b>4,792</b>  | <b>4,366</b>  | <b>9.8</b>    | <b>4,643</b>  | <b>3.2</b>   | <b>4,792</b>  | <b>4,366</b>  | <b>9.8</b>    |
| FTTC                              | 3,218         | 3,283         | (2.0)         | 3,231         | (0.4)        | 3,218         | 3,283         | (2.0)         |
| FTTH                              | 1,574         | 1,083         | 45.3          | 1,412         | 11.5         | 1,574         | 1,083         | 45.3          |
| Others                            | 2,671         | 3,069         | (13.0)        | 2,800         | (4.6)        | 2,671         | 3,069         | (13.0)        |
| <b>Pay TV</b>                     | <b>1,614</b>  | <b>1,647</b>  | <b>(2.0)</b>  | <b>1,591</b>  | <b>1.4</b>   | <b>1,614</b>  | <b>1,647</b>  | <b>(2.0)</b>  |
| <b>IPTV</b>                       | <b>486</b>    | <b>323</b>    | <b>50.7</b>   | <b>430</b>    | <b>13.1</b>  | <b>486</b>    | <b>323</b>    | <b>50.7</b>   |
| <b>DTH</b>                        | <b>1,128</b>  | <b>1,324</b>  | <b>(14.8)</b> | <b>1,161</b>  | <b>(2.9)</b> | <b>1,128</b>  | <b>1,324</b>  | <b>(14.8)</b> |
| <b>Voice ARPU (R\$/month)</b>     | <b>36.4</b>   | <b>41.7</b>   | <b>(12.9)</b> | <b>37.4</b>   | <b>(2.7)</b> | <b>36.9</b>   | <b>41.8</b>   | <b>(11.8)</b> |
| <b>Broadband ARPU (R\$/month)</b> | <b>55.4</b>   | <b>49.5</b>   | <b>12.0</b>   | <b>55.2</b>   | <b>0.4</b>   | <b>55.3</b>   | <b>49.0</b>   | <b>12.8</b>   |
| <b>Pay TV ARPU (R\$/month)</b>    | <b>98.9</b>   | <b>95.1</b>   | <b>4.0</b>    | <b>99.1</b>   | <b>(0.2)</b> | <b>99.0</b>   | <b>94.9</b>   | <b>4.3</b>    |

○ **Total fixed accesses** reached 22,537 thousand in 2Q18, a decrease of 3.1% compared to the second quarter of the previous year, mainly affected by the performance of voice accesses, due to the maturity of this service, and the strategic decision of deprioritizing growth in Pay TV with DTH technology.

○ **Fixed Voice accesses** totaled 13,460 thousand in 2Q18, decreasing 5.0% compared to the previous year, mainly due to the fixed-to-mobile substitution and the voice-to-data migration. Voice ARPU decreased by 12.9% year-over-year, reflecting the maturity of this service.

○ **Fixed Broadband accesses** recorded 7.5 million customers in 2Q18, 0.4% more than in 2Q17. The UBB customer base grew 9.8% y-o-y in 2Q18 and reached 4.8 million accesses, of which 1.6 million in FTTH technology, up 45.3%

on the previous year. UBB customers already represent 64.2% of total broadband accesses, fueling ARPU, which grew 12.0% y-o-y in the quarter.

- **Pay TV accesses** decreased 2.0% compared to 2Q17 (+1.4% over 1Q18), ending the second quarter with 1.6 million subscribers, due to the Company's strategic decision to deprioritize the DTH technology. The improvement in the trend, when compared to the last quarter, is due to the IPTV accesses that grew 50.7% y-o-y in 2Q18, resulting from the higher take-up of this product in FTTH customer acquisitions. TV ARPU increased by 4.0% y-o-y this quarter, reflecting the Company's strategy of focusing on higher-value customers.



## NET OPERATING FIXED REVENUE

|                                     |                |               |                |               |                |               |                |
|-------------------------------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| <b>Net Operating Fixed Revenues</b> | <b>4,007.7</b> | <b>(3.7)</b>  | <b>8,031.8</b> | <b>(3.1)</b>  | <b>4,007.7</b> | <b>(3.7)</b>  | <b>8,031.8</b> |
| <b>Voice</b>                        | <b>1,480.6</b> | <b>(16.8)</b> | <b>3,023.2</b> | <b>(15.4)</b> | <b>1,480.6</b> | <b>(16.8)</b> | <b>3,023.2</b> |
| <b>Interconnection</b>              | <b>38.6</b>    | <b>(11.5)</b> | <b>81.3</b>    | <b>(13.6)</b> | <b>38.6</b>    | <b>(11.5)</b> | <b>81.3</b>    |
| <b>Broadband<sup>1</sup></b>        | <b>1,239.4</b> | <b>13.0</b>   | <b>2,470.1</b> | <b>14.3</b>   | <b>1,239.4</b> | <b>13.0</b>   | <b>2,470.1</b> |
| UBB                                 | 818.8          | 19.6          | 1,610.9        | 21.0          | 818.8          | 19.6          | 1,610.9        |
| xDSL                                | 420.6          | 2.1           | 859.2          | 3.6           | 420.6          | 2.1           | 859.2          |
| <b>Corporate Data and IT</b>        | <b>633.4</b>   | <b>4.8</b>    | <b>1,221.9</b> | <b>2.7</b>    | <b>633.4</b>   | <b>4.8</b>    | <b>1,221.9</b> |
| <b>Pay TV</b>                       | <b>475.2</b>   | <b>0.6</b>    | <b>946.7</b>   | <b>(0.4)</b>  | <b>475.2</b>   | <b>0.6</b>    | <b>946.7</b>   |
| <b>Other Services</b>               | <b>140.5</b>   | <b>(16.0)</b> | <b>288.7</b>   | <b>(9.6)</b>  | <b>140.5</b>   | <b>(16.0)</b> | <b>288.7</b>   |

**% Non-Voice Revenues<sup>2</sup> / Net Operating Fixed Revenues** 62.1% 5.9 p.p. 61.3% 5.6 p.p. 62.1% 5.9 p.p. 61.3% 5.6 p.p.

1) Broadband Revenue includes residential customers and SMEs;

2) Non-voice revenue includes revenue from Broadband, Corporate Data and IT, Pay TV and Other Services.

Net Fixed Revenues decreased 3.7% in 2Q18 compared to the same period of last year, impacted by lower Voice Revenues, the cut in the fixed-to-mobile tariff (VC) and the reduction in the fixed interconnection tariff (TU-RL and TU-RIU) in February 2018, partially offset by the positive evolution of Broadband and Corporate Data and IT Revenues.

**Voice** revenue decreased 16.8% in the period against 2Q17, mainly due to service maturity and fixed-to-mobile substitution.

**Interconnection** revenue presented a reduction of 11.5% when compared to 2Q17, due to the reduction in TU-RL (-35.5%) and TU-RIU (-54.4%) in February 2018.

**Broadband** revenue increased 13.0% in 2Q18, driven by the evolution of the ultra-broadband revenues, which represented approximately 66.1% of this revenue in the period and grew 19.6% year-over-year. These results reflect the Company's efforts to expand the base and migrate customers to higher speeds, fueling fiber accesses with higher ARPU, as well as the expansion of the FTTH network to 16 new cities in 2017 and 10 new cities by the end of July 2018. FTTH Revenues grew 48.3% y-o-y.

**Corporate Data and IT** Revenues grew 4.8% y-o-y, mainly driven by the negotiation of new contracts with large companies in the quarter.

In 2Q18, **Pay TV** revenue registered growth of 0.6% in the annual comparison. The Company continued with its selective strategy for this service, focusing on higher value products such as IPTV, which presented revenue growth of 59.1% y-o-y, in order to provide the best customer experience and optimize the profitability of this business.

## Consolidated Operating Costs

|  |                  |               |                   |               |                  |               |                   |            |
|--|------------------|---------------|-------------------|---------------|------------------|---------------|-------------------|------------|
| <b>Operating Costs</b>                         | <b>(5,634.7)</b> | <b>(21.4)</b> | <b>(12,628.6)</b> | <b>(11.3)</b> | <b>(5,620.0)</b> | <b>(21.6)</b> | <b>(12,614.5)</b> | <b>(1)</b> |
| <b>Personnel</b>                               | <b>(1,060.2)</b> | <b>15.7</b>   | <b>(2,024.4)</b>  | <b>10.7</b>   | <b>(1,064.2)</b> | <b>16.2</b>   | <b>(2,023.5)</b>  | <b>1</b>   |
| <b>Costs of Services Rendered</b>              | <b>(2,922.6)</b> | <b>2.1</b>    | <b>(5,699.4)</b>  | <b>(1.3)</b>  | <b>(2,922.6)</b> | <b>2.1</b>    | <b>(5,699.4)</b>  | <b>(</b>   |
| Interconnection                                | (391.1)          | 20.5          | (675.2)           | (5.9)         | (391.1)          | 20.5          | (675.2)           | <b>(</b>   |
| Taxes and Contributions                        | (428.3)          | (4.7)         | (842.0)           | (7.2)         | (428.3)          | (4.7)         | (842.0)           | <b>(</b>   |
| Third-party Services                           | (1,327.3)        | (4.4)         | (2,696.4)         | (3.8)         | (1,327.3)        | (4.4)         | (2,696.4)         | <b>(</b>   |
| Others   | (775.9)          | 10.9          | (1,485.8)         | 10.5          | (775.9)          | 10.9          | (1,485.8)         | <b>1</b>   |
| <b>Cost of Goods Sold</b>                      | <b>(591.1)</b>   | <b>27.2</b>   | <b>(1,075.5)</b>  | <b>14.7</b>   | <b>(591.1)</b>   | <b>27.2</b>   | <b>(1,075.5)</b>  | <b>1</b>   |
| <b>Commercial Expenses</b>                     | <b>(2,310.6)</b> | <b>(2.0)</b>  | <b>(4,532.6)</b>  | <b>(1.5)</b>  | <b>(2,291.8)</b> | <b>(2.8)</b>  | <b>(4,519.5)</b>  | <b>(</b>   |
| Provision for Bad Debt                         | (365.5)          | (1.4)         | (755.4)           | 3.7           | (368.7)          | (0.6)         | (766.7)           | <b>(</b>   |
| Third-party Services                           | (1,822.2)        | (3.3)         | (3,560.3)         | (3.5)         | (1,800.2)        | (4.5)         | (3,536.0)         | <b>(</b>   |
| Others   | (122.9)          | 20.7          | (216.8)           | 18.3          | (122.9)          | 20.7          | (216.8)           | <b>1</b>   |
| <b>General and Administrative Expenses</b>     | <b>(383.6)</b>   | <b>5.2</b>    | <b>(757.6)</b>    | <b>3.5</b>    | <b>(383.6)</b>   | <b>5.2</b>    | <b>(757.6)</b>    | <b>(</b>   |
| <b>Other Net Operating Revenues (Expenses)</b> | <b>1,633.3</b>   | <b>n.a.</b>   | <b>1,461.0</b>    | <b>n.a.</b>   | <b>1,633.3</b>   | <b>n.a.</b>   | <b>1,461.0</b>    | <b>n</b>   |
| <b>Recurring Operating Costs<sup>1</sup></b>   | <b>(7,085.4)</b> | <b>(1.2)</b>  | <b>(14,079.2)</b> | <b>(1.2)</b>  | <b>(7,070.7)</b> | <b>(1.4)</b>  | <b>(14,065.2)</b> | <b>(</b>   |

1) Excludes the following non-recurring effects: positive effect of R\$1,830.2M, mainly due to final judgment in the Superior Court of Justice, in favor of the Company, recognizing the right to deduct the ICMS from the basis of calculation of PIS/COFINS contributions; expense of R\$92.0M due to the adoption of a risk assessment model to calculate labor contingencies; expense of R\$170.6M due to the write-off assets related to judicial deposits; expense of R\$116.9M due to organizational restructuring.

**Recurring Operating Costs, excluding Depreciation and Amortization expenses, decreased 1.2% over the same period of last year, reaching R\$7,085.4 million in the quarter, in a period in which inflation was +4.4%**

## **(IPCA-12M). This is the tenth consecutive quarter of reduction in the Company's Recurring Operating Costs.**

**Personnel Costs** grew 15.7% year-over-year, mainly due to the organizational restructuring, which resulted in non-recurring costs in the amount of R\$116.9 million. Excluding this effect, costs increased 3.0% y-o-y, due to the effect of inflation on salaries and benefits in the period.

**Cost of Services Rendered** in 2Q18 recorded a growth of 2.1% in relation to 2Q17, mainly due to higher interconnection costs related to higher outgoing off net traffic in the quarter, in addition to the costs of expanding the mobile and fixed networks. On the other hand, cost expansion was partially offset by reductions in MTR/VC and TU-RL/TU-RIU in February 2018.

**Cost of Goods Sold** in 2Q18 grew 27.2% compared to the same period of last year due to the Company's strategy, with a higher focus on handset sales since 4Q17.

**Selling Expenses** in 2Q18 decreased by 2.0%, reflecting the Company's evolution in its digitalization initiatives.

The **Provision for Doubtful Accounts** ended 2Q18 at R\$365.5 million, a decrease of 1.4% in relation to 2Q17, due to collection and billing actions, even with the ongoing migrations of prepaid clients to postpaid plans. The default level remained stable in comparison to 1Q18, reaching 2.2% of Gross Revenue in 2Q18.

**Third-party Services** registered a reduction of 3.3% in the annual comparison. The increase in the representativeness of e-commerce of products and services combined with the penetration of e-billing led to the reduction of costs with commissioning and billing-related (preparation and mailing) costs, as well as lower expenses with call centers due to the greater adoption of digital service channels, mainly through the MEU VIVO app.

**General and Administrative Expenses** grew 5.2% in 2Q18, slightly above the inflation for the period, mainly due to higher expenses with third-party services.

**Other Net Operating Revenues (Expenses)** presented revenue of R\$1,633.3 million in the quarter, due to the non-recurring effects of the period, mainly related to the gain resulting from a judicial decision referring to the collection of the PIS/COFINS taxes on the ICMS basis.

## EBITDA

**Recurring EBITDA**<sup>1</sup> (earnings before interest, taxes, depreciation and amortization) in 2Q18 was R\$3,732.4 million, an increase of 5.8% over the same period last year, reaching **Recurring EBITDA margin**<sup>1</sup> of 34.5%, 1.5 p.p. higher than 2Q17.

The growth in EBITDA is related to the expansion of mobile and ultra-broadband revenues, in addition to the cost-efficiency measures adopted by the Company in the period.

Considering the non-recurring effects of the period, **EBITDA** increased by 46.9% y-o-y in 2Q18 (R\$5,183.1 million), with **EBITDA margin** of 47.9%.

1) Excludes the following non-recurring effects: positive effect of R\$1,830.2M, mainly due to final judgment in the Superior Court of Justice, in favor of the Company, recognizing the right to deduct the ICMS from the basis of calculation of PIS/COFINS contributions; expense of R\$92.0M due to the adoption of a risk assessment model to calculate labor contingencies; expense of R\$170.6M due to the write-off assets related to judicial deposits; expense of R\$116.9M due to organizational restructuring.

## Depreciation and Amortization

|  |                           |                     |                              |            |
|--|---------------------------|---------------------|------------------------------|------------|
| <b>Depreciation and Amortization</b>     | <b>(2,012.9)(1,957.2)</b> | <b>2.8(1,998.3)</b> | <b>0.7(4,011.2)(3,900.8)</b> | <b>2.8</b> |
| Depreciation                             | (1,356.8)(1,318.0)        | 2.9(1,343.2)        | 1.0(2,700.0)(2,610.1)        | 3.4        |
| Amortization of Intangibles <sup>1</sup> | (303.4) (289.0)           | 5.0 (302.0)         | 0.5 (605.4) (578.0)          | 4.7        |
| Other Amortizations                      | (352.7) (350.2)           | 0.7 (353.1)         | (0.1) (705.8) (712.7)        | (1.0)      |

1) Amortization of intangible assets generated by the incorporation of Vivo as of 2Q11 and GVT as of 2Q15

In 2Q18, the **Depreciation and Amortization** line increased 2.8% year-over-year, mainly due to the growth of the fixed asset base.

## Financial Result

|   |                |                |             |                |             |                |                |             |
|---|----------------|----------------|-------------|----------------|-------------|----------------|----------------|-------------|
| <b>Net Financial Income</b>               | <b>1,471.1</b> | <b>(264.3)</b> | <b>n.a.</b> | <b>(172.7)</b> | <b>n.a.</b> | <b>1,298.4</b> | <b>(554.7)</b> | <b>n.a.</b> |
| Income from Financial Investments         | 57.8           | 180.0          | (67.9)      | 72.0           | (19.7)      | 129.8          | 370.2          | (64.9)      |
| Debt Interest                             | (107.8)        | (240.6)        | (55.2)      | (157.3)        | (31.5)      | (265.1)        | (534.7)        | (50.4)      |
| Monetary and Exchange Variation           | 1,655.4        | (211.5)        | n.a.        | (87.5)         | n.a.        | 1,567.9        | (337.0)        | n.a.        |
| Gains (Losses) on Derivative Transactions | (13.2)         | 12.1           | n.a.        | 7.7            | n.a.        | (5.5)          | (37.2)         | (85.2)      |
| Other Financial Income (Expenses)         | (121.1)        | (4.3)          | 2,716.3     | (7.6)          | 1,493.4     | (128.7)        | (16.0)         | 704.4       |

Net Financial Result presented better performance in 2Q18, mainly due to the financial impact of non-recurring effects in the quarter, mainly those related to the judicial decision on the collection of PIS/COFINS over ICMS tax base, net of monetary update of contingencies in the period.

## Net Income

**Reported Net Income** of R\$3,166.3 million in 2Q18, which was 262.7% higher than in the same period of 2017, due to the non-recurring effects of the quarter.

Excluding this non-recurring effect, net income would have grown 28.7% y-o-y, due to the EBITDA growth and the improvement in the Financial Result in the period. In the first 6 months of 2018, reported Net Income reached R\$4,264.3 million, growing 128.1% y-o-y.

## Capex

|  |                |                |                 |                |                 |                |                 |                 |
|--|----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|-----------------|
| <b>Total</b>                                       | <b>2,138.7</b> | <b>1,818.0</b> | <b>17.6</b>     | <b>1,547.4</b> | <b>38.2</b>     | <b>3,686.1</b> | <b>13,146.2</b> | <b>17.1</b>     |
| Network  | 1,779.7        | 1,590.4        | 11.9            | 1,383.1        | 28.7            | 3,162.7        | 2,783.7         | 13.8            |
| Technology / Information System                    | 300.8          | 172.8          | 74.1            | 123.6          | 143.4           | 424.4          | 283.0           | 49.0            |
| Products and Services, Channels, Adm. and Others   | 58.2           | 54.8           | 6.2             | 40.8           | 42.9            | 99.0           | 79.4            | 24.2            |
| <b>Capex (ex-Licenses) / Net Operating Revenue</b> | <b>19.8%</b>   | <b>17.0%</b>   | <b>2.8 p.p.</b> | <b>14.4%</b>   | <b>5.4 p.p.</b> | <b>17.1%</b>   | <b>14.8%</b>    | <b>2.3 p.p.</b> |

In 2Q18, **Capex** increased 17.6% y-o-y to R\$2,138.7 million, accounting for 19.8% of Net Operating Revenue in the period.

Investments were mainly focused on the FTTH footprint expansion and adoption, and higher 4G and 4G+ technology coverage and capacity.

In accumulated terms, Capex reached R\$3,686.1 million, representing 17.1% of Net Operating Revenue in the period.



## Cash Flow<sup>1</sup>

|  |                |              |                |             |                |              |                |           |
|--|----------------|--------------|----------------|-------------|----------------|--------------|----------------|-----------|
| <b>Recurring EBITDA</b>                        | <b>3,732.4</b> | <b>5.8</b>   | <b>7,497.7</b> | <b>6.5</b>  | <b>3,752.7</b> | <b>6.4</b>   | <b>7,547.2</b> | <b>7</b>  |
| Investments (CAPEX)                            | (2,138.7)      | 17.6         | (3,686.1)      | 17.2        | (2,138.7)      | 17.6         | (3,686.1)      | 17        |
| Interest, Taxes and Other Financial Rev. (Exp) | (493.3)        | 102.2        | (735.2)        | 12.4        | (493.3)        | 102.2        | (735.2)        | 12        |
| Working Capital Variation                      | 898.4          | 82.5         | (73.8)         | (87.8)      | 878.1          | 78.4         | (123.2)        | (79)      |
| <b>Free Cash Flow from Business Activity</b>   | <b>1,998.8</b> | <b>2.1</b>   | <b>3,002.6</b> | <b>13.9</b> | <b>1,998.8</b> | <b>2.1</b>   | <b>3,002.6</b> | <b>13</b> |
| Non-Recurring Items <sup>2</sup>               | (75.7)         | n.a.         | (176.0)        | (73.1)      | (75.7)         | n.a.         | (176.0)        | (73)      |
| <b>Free Cash Flow after Extraordinaries</b>    | <b>1,923.1</b> | <b>(1.8)</b> | <b>2,826.6</b> | <b>42.7</b> | <b>1,923.1</b> | <b>(1.8)</b> | <b>2,826.6</b> | <b>42</b> |

1) The criterion used for cash flow excludes amounts paid as income tax from the allocation of interest on equity, which were previously included in the calculation.

2) Payment related to the organizational restructuring in 2Q18 in the amount of R\$75.7 million, payment of cleaning of the 700MHz 4G spectrum totaling R\$655.1 million in 1Q17 and R\$100.3 million in 1Q18.

**Free Cash Flow from Business Activities** was R\$1,998.8 million in 2Q18, 2.1% (R\$ 40.1 million) higher than the same period of 2017, reflecting the improvement in the operating result, partially offset by the increase in the capex level. In the year, Free Cash Flow from Business Activities was R\$3,002.6 million, an increase of 13.9% y-o-y (R\$366.1 million) due to the improvement in the operating result.

**Free Cash Flow after non-recurring items** presented a reduction of R\$35.6 million in 2Q18, mainly influenced by the extraordinary payment of R\$75.7 million made in June 2018, referring to the organizational restructuring.

## Debt

### Loans and Financing (R\$ million)

| Consolidated                          | Currency | Interest Rate           | Due Date | Short-Term | Long-Term | Total   |
|---------------------------------------|----------|-------------------------|----------|------------|-----------|---------|
| <b>Local Currency</b>                 |          |                         |          |            |           |         |
| BNDES                                 | UR       | LTIR + 0.00% to 3.38%   | 2023     | 654.9      | 609.1     | 1,264.0 |
| BNDES                                 | R\$      | 2.5% to 6.0%            | 2023     | 71.0       | 129.7     | 200.7   |
| BNDES                                 | R\$      | SELIC D-2 + 2.32%       | 2023     | 77.6       | 277.0     | 354.7   |
| BNB                                   | R\$      | 7.0% to 10.0%           | 2022     | 15.1       | 47.3      | 62.3    |
| Confirming                            | R\$      | 104.4% to 112.4% of CDI | 2019     | 413.5      | -         | 413.5   |
| Debentures 4th Issue - Series 3       | R\$      | IPCA + 4.0%             | 2019     | 1.1        | 40.3      | 41.4    |
| Debentures 1st Issue - Minas Comunica | R\$      | IPCA + 0.5%             | 2021     | 25.8       | 78.0      | 103.8   |
| Debentures 5th Issue - Single Series  | R\$      | 108.25% of CDI          | 2022     | 51.2       | 1,997.1   | 2,048.4 |
| Debentures 6th Issue - Single Series  | R\$      | 100.00% of CDI + 0.24%  | 2020     | 5.8        | 999.6     | 1,005.5 |
| Financial Leases                      | R\$      | -                       | 2033     | 56.2       | 321.0     | 377.2   |
| Contingent Consideration              | R\$      | -                       | 2025     | -          | 456.0     | 456.0   |
| <b>Foreign Currency</b>               |          |                         |          |            |           |         |
| BNDES                                 | UMBND    | ECM + 2.38%             | 2019     | 164.9      | 13.7      | 178.6   |

Cash Flow<sup>1</sup>

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|              |  |                |                |                |
|--------------|--|----------------|----------------|----------------|
| <b>Total</b> |  | <b>1,537.3</b> | <b>4,968.7</b> | <b>6,506.0</b> |
|--------------|--|----------------|----------------|----------------|

## NET DEBT

## DEBT PROFILE

|   |                |                |                 | <b>Year</b>  | <b>Amount</b><br>(R\$ million) |
|---|----------------|----------------|-----------------|--------------|--------------------------------|
| Short-Term Debt                                       | 1,537.3        | 3,033.4        | 5,540.2         | 2019         | 376.6                          |
| Long-Term Debt  | 4,968.7        | 5,428.4        | 4,881.8         | 2020         | 1,418.0                        |
| <b>Total Debt</b>                                     | <b>6,506.0</b> | <b>8,461.8</b> | <b>10,422.0</b> | 2021         | 1,288.7                        |
| Cash and Cash Equivalents <sup>1</sup>                | (4,441.9)      | (4,062.1)      | (7,458.4)       | 2022         | 1,236.0                        |
| Net Derivatives Position                              | (104.7)        | (143.8)        | (77.2)          | After 2022   | 649.4                          |
| Contingent Consideration Guarantee Asset <sup>2</sup> | (456.0)        | (446.1)        | (432.9)         | <b>Total</b> | <b>4,968.7</b>                 |
| <b>Net Debt</b>                                       | <b>1,503.4</b> | <b>3,809.9</b> | <b>2,453.5</b>  |              |                                |
| Net Debt / EBITDA <sup>3</sup>                        | 0.09           | 0.26           | 0.17            |              |                                |

1) Includes the investment in BNB given as collateral for the loan from that bank.

2) Alignment of the classification criterion for the asset backing the contingent consideration to calculate *pro-forma* net debt.

3) LTM EBITDA.

The Company ended 2Q18 with **Gross Debt** of R\$6,506.0 million, 2.7% of which denominated in foreign currency. The decrease in gross debt is related to the settlement of loans and financing in the period. Currently, foreign exchange exposure of debt is covered by hedge operations.

**Net Debt** totaled R\$1,503.4 million at the end of 2Q18, representing 0.09x of LTM EBITDA. The reduction is related, mainly, to the higher cash generation in the period.

## Capital Market

Telefônica Brasil's common (ON) and preferred (PN) shares are traded on B3 under the tickers VIVT3 and VIVT4, respectively. The Company's ADRs are traded on the NYSE, under the ticker VIV.

VIVT3 and VIVT4 shares closed the second quarter of 2018 at R\$42.19 and R\$45.74, respectively, showing an appreciation of 2.4% and a depreciation of 5.9% in the first half of the year, respectively. Total shareholder return (TSR) in the last twelve months, ended in June 2018, reached 23.0% for common shares and 8.0% for preferred shares.

The Company's ADRs closed the quarter at US\$11.87, depreciating 20.0% in the first half of the year.

The average daily trading volume of VIVT3 and VIVT4 shares in 6M18 averaged R\$1,489.0 thousand and R\$94,181.4 thousand, respectively. The daily traded volume of ADRs averaged US\$20,770.7 thousand in the same period.

The chart below shows the Company's stock performance:



## Capital Stock

|                                  |                              |                              |                                |
|----------------------------------|------------------------------|------------------------------|--------------------------------|
| Controlling Company Shareholders | 540,033,264<br><i>94.47%</i> | 704,207,855<br><i>62.91%</i> | 1,244,241,119<br><i>73.58%</i> |
| Minority Shareholders            | 29,320,789<br><i>5.13%</i>   | 415,131,868<br><i>37.09%</i> | 444,452,657<br><i>26.28%</i>   |
| Treasury                         | 2,290,164<br><i>0.40%</i>    | 983<br><i>0.00%</i>          | 2,291,147<br><i>0.14%</i>      |
| <b>Total Number of Shares</b>    | <b>571,644,217</b>           | <b>1,119,340,706</b>         | <b>1,690,984,923</b>           |

*Book Value per Share:*  
*Subscribed/Paid-in Capital:*

*R\$ 42.09*  
*R\$ 63,571.4million*

## Dividends

In the second quarter of 2018, at the meeting held on June 18, 2018, the Board of Directors resolved on the credit of interest on capital relating to the 2018 fiscal year, in the gross amount of R\$400.0 million. Payment will be made until the end of 2019 fiscal year, on a date to be defined by the Board of Executive Officers, to holders of common and preferred shares of the Company on record on June 29, 2018. The table below shows the amounts to be distributed per share:

|                                |            |            |         |         |           |          |      |
|--------------------------------|------------|------------|---------|---------|-----------|----------|------|
| IOC<br>(based on May-18)       | 06/18/2018 | 06/29/2018 | 400.0   | 340.0   | Common    | 0.222145 | 0.18 |
|                                |            |            |         |         | Preferred | 0.244359 | 0.20 |
| Dividends<br>(based on Dec-17) | 04/12/2018 | 04/12/2018 | 2,191.9 | 2,191.9 | Common    | 1.217277 | 1.21 |
|                                |            |            |         |         | Preferred | 1.339005 | 1.33 |
| IOC                            | 12/14/2017 | 12/26/2017 | 1,486.6 | 1,263.6 | Common    | 0.825623 | 0.70 |

Dividends

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|                   |            |            |       |       |  |           |          |      |
|-------------------|------------|------------|-------|-------|--|-----------|----------|------|
| (based on Nov-17) |            |            |       |       |  | Preferred | 0.908185 | 0.77 |
| IOC               |            |            |       |       |  | Common    | 0.169385 | 0.14 |
| (based on Aug-17) | 09/18/2017 | 09/29/2017 | 305.0 | 259.3 |  | Preferred | 0.186324 | 0.15 |
| IOC               |            |            |       |       |  | Common    | 0.052759 | 0.04 |
| (based on May-17) | 06/19/2017 | 06/30/2017 | 95.0  | 80.8  |  | Preferred | 0.058035 | 0.04 |
| IOC               |            |            |       |       |  | Common    | 0.194377 | 0.16 |
| (based on Feb-17) | 03/20/2017 | 03/31/2017 | 350.0 | 297.5 |  | Preferred | 0.213814 | 0.18 |
| IOC               |            |            |       |       |  | Common    | 0.099965 | 0.08 |
| (based on Jan-17) | 02/13/2017 | 02/24/2017 | 180.0 | 153.0 |  | Preferred | 0.109962 | 0.09 |

## INCOME STATEMENT (Reported)

|   |                  |                  |                  |                  |                  |                   |                   |
|---|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| <b>Gross Operating Revenue</b>                | <b>16,343.8</b>  | <b>16,553.2</b>  | <b>(1.3)</b>     | <b>16,334.4</b>  | <b>0.1</b>       | <b>32,678.2</b>   | <b>33,123.6</b>   |
| Gross Operating Mobile Revenue                | 10,253.2         | 10,197.9         | 0.5              | 10,331.2         | (0.8)            | 20,584.4          | 20,350.9          |
| Gross Operating Fixed Revenue                 | 6,090.6          | 6,355.3          | (4.2)            | 6,003.2          | 1.5              | 12,093.8          | 12,772.7          |
| <b>Net Operating Revenue</b>                  | <b>10,823.4</b>  | <b>10,697.2</b>  | <b>1.2</b>       | <b>10,789.0</b>  | <b>0.3</b>       | <b>21,612.4</b>   | <b>21,287.3</b>   |
| Net Operating Mobile Revenue                  | 6,815.7          | 6,534.3          | 4.3              | 6,764.8          | 0.8              | 13,580.5          | 12,998.2          |
| Net Operating Fixed Revenue                   | 4,007.7          | 4,162.9          | (3.7)            | 4,024.1          | (0.4)            | 8,031.8           | 8,289.1           |
| <b>Operating Costs</b>                        | <b>(5,620.0)</b> | <b>(7,168.8)</b> | <b>(21.6)</b>    | <b>(6,994.5)</b> | <b>(19.7)</b>    | <b>(12,614.5)</b> | <b>(14,245.0)</b> |
| <b>Personnel</b>                              | <b>(1,064.2)</b> | <b>(916.1)</b>   | <b>16.2</b>      | <b>(959.3)</b>   | <b>10.9</b>      | <b>(2,023.5)</b>  | <b>(1,828.0)</b>  |
| <b>Costs of Services Rendered</b>             | <b>(2,922.6)</b> | <b>(2,861.8)</b> | <b>2.1</b>       | <b>(2,776.8)</b> | <b>5.3</b>       | <b>(5,699.4)</b>  | <b>(5,773.0)</b>  |
| Interconnection                               | (391.1)          | (324.6)          | 20.5             | (284.1)          | 37.7             | (675.2)           | (717.6)           |
| Taxes and Contributions                       | (428.3)          | (449.5)          | (4.7)            | (413.7)          | 3.5              | (842.0)           | (906.9)           |
| Third-party Services                          | (1,327.3)        | (1,388.2)        | (4.4)            | (1,369.1)        | (3.1)            | (2,696.4)         | (2,803.9)         |
| Others  | (775.9)          | (699.5)          | 10.9             | (709.9)          | 9.3              | (1,485.8)         | (1,344.6)         |
| <b>Cost of Goods Sold</b>                     | <b>(591.1)</b>   | <b>(464.7)</b>   | <b>27.2</b>      | <b>(484.4)</b>   | <b>22.0</b>      | <b>(1,075.5)</b>  | <b>(937.4)</b>    |
| <b>Commercial Expenses</b>                    | <b>(2,291.8)</b> | <b>(2,356.8)</b> | <b>(2.8)</b>     | <b>(2,227.7)</b> | <b>2.9</b>       | <b>(4,519.5)</b>  | <b>(4,602.2)</b>  |
| Provision for Bad Debt                        | (368.7)          | (370.8)          | (0.6)            | (398.0)          | (7.4)            | (766.7)           | (728.5)           |
| Third-party Services                          | (1,800.2)        | (1,884.2)        | (4.5)            | (1,735.8)        | 3.7              | (3,536.0)         | (3,690.5)         |
| Others  | (122.9)          | (101.8)          | 20.7             | (93.9)           | 30.9             | (216.8)           | (183.2)           |
| <b>General and Administrative Expenses</b>    | <b>(383.6)</b>   | <b>(364.5)</b>   | <b>5.2</b>       | <b>(374.0)</b>   | <b>2.6</b>       | <b>(757.6)</b>    | <b>(732.2)</b>    |
| <b>Other Net Operating Revenue (Expenses)</b> | <b>1,633.3</b>   | <b>(204.9)</b>   | <b>n.a.</b>      | <b>(172.3)</b>   | <b>n.a.</b>      | <b>1,461.0</b>    | <b>(372.2)</b>    |
| <b>EBITDA</b>                                 | <b>5,203.4</b>   | <b>3,528.4</b>   | <b>47.5</b>      | <b>3,794.5</b>   | <b>37.1</b>      | <b>8,997.9</b>    | <b>7,042.3</b>    |
| <b>EBITDA Margin %</b>                        | <b>48.1%</b>     | <b>33.0%</b>     | <b>15.1 p.p.</b> | <b>35.2%</b>     | <b>12.9 p.p.</b> | <b>41.6%</b>      | <b>33.1%</b>      |
| <b>Depreciation and Amortization</b>          | <b>(2,012.9)</b> | <b>(1,957.2)</b> | <b>2.8</b>       | <b>(1,998.3)</b> | <b>0.7</b>       | <b>(4,011.2)</b>  | <b>(3,900.8)</b>  |
| Depreciation                                  | (1,356.8)        | (1,318.0)        | 2.9              | (1,343.2)        | 1.0              | (2,700.0)         | (2,610.1)         |
| Amortization of Intangibles                   | (303.4)          | (289.0)          | 5.0              | (302.0)          | 0.5              | (605.4)           | (578.0)           |
| Others Amortizations                          | (352.7)          | (350.2)          | 0.7              | (353.1)          | (0.1)            | (705.8)           | (712.7)           |
| <b>EBIT</b>                                   | <b>3,190.5</b>   | <b>1,571.2</b>   | <b>103.1</b>     | <b>1,796.2</b>   | <b>77.6</b>      | <b>4,986.7</b>    | <b>3,141.5</b>    |
| <b>Net Financial Income</b>                   | <b>1,471.1</b>   | <b>(264.3)</b>   | <b>n.a.</b>      | <b>(172.7)</b>   | <b>n.a.</b>      | <b>1,298.4</b>    | <b>(554.7)</b>    |
| Income from Financial Investments             | 57.8             | 180.0            | (67.9)           | 72.0             | (19.7)           | 129.8             | 370.2             |
| Debt Interest                                 | (107.8)          | (240.6)          | (55.2)           | (157.3)          | (31.5)           | (265.1)           | (534.7)           |
| Monetary and Exchange Variation               | 1,655.4          | (211.5)          | n.a.             | (87.5)           | n.a.             | 1,567.9           | (337.0)           |

Dividends

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|   |                |              |               |                |               |                |                |
|---|----------------|--------------|---------------|----------------|---------------|----------------|----------------|
| Gains (Losses) on Derivative Transactions | (13.2)         | 12.1         | n.a.          | 7.7            | n.a.          | (5.5)          | (37.2)         |
| Other Financial Income (Expenses)         | (121.1)        | (4.3)        | 2,716.3       | (7.6)          | 1,493.4       | (128.7)        | (16.0)         |
| <b>Gain (Loss) on Investments</b>         | <b>0.1</b>     | <b>0.5</b>   | <b>(80.0)</b> | <b>0.5</b>     | <b>(80.0)</b> | <b>0.6</b>     | <b>1.3</b>     |
| Taxes                                     | (1,495.4)      | (434.5)      | 244.2         | (526.0)        | 184.3         | (2,021.4)      | (719.0)        |
| <b>Net Income</b>                         | <b>3,166.3</b> | <b>872.9</b> | <b>262.7</b>  | <b>1,098.0</b> | <b>188.4</b>  | <b>4,264.3</b> | <b>1,869.1</b> |

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## BALANCE SHEET (Reported)

|   |                  |                  |              |
|---|------------------|------------------|--------------|
| <b>ASSETS</b>                                 | <b>104,641.0</b> | <b>101,382.8</b> | <b>3.2</b>   |
| <b>Current Assets</b>                         | <b>17,659.6</b>  | <b>16,731.7</b>  | <b>5.5</b>   |
| Cash and Cash Equivalents                     | 4,429.8          | 4,050.3          | 9.4          |
| Accounts Receivable from Customers            | 10,072.8         | 9,955.2          | 1.2          |
| Provision for Doubtful Accounts               | (1,453.6)        | (1,366.7)        | 6.4          |
| Inventories                                   | 491.4            | 348.8            | 40.9         |
| Recoverable Taxes                             | 2,379.9          | 2,564.0          | (7.2)        |
| Escrow Deposits and Frozen Assets             | 301.7            | 324.6            | (7.1)        |
| Derivative Financial Instruments              | 109.2            | 87.6             | 24.7         |
| Prepaid Expenses                              | 1,037.8          | 446.4            | 132.5        |
| Other Assets                                  | 290.6            | 321.5            | (9.6)        |
| <b>Non-Current Assets</b>                     | <b>86,981.4</b>  | <b>84,651.1</b>  | <b>2.8</b>   |
| Accounts Receivable from Customers            | 398.9            | 340.6            | 17.1         |
| Provision for Doubtful Accounts               | (68.0)           | (66.7)           | 1.9          |
| Financial Investments                         | 86.8             | 81.4             | 6.6          |
| Recoverable Taxes                             | 4,650.9          | 743.3            | 525.7        |
| Deffered Taxes                                | 404.8            | 371.4            | 9.0          |
| Escrow Deposits and Frozen Assets             | 5,012.7          | 6,339.2          | (20.9)       |
| Derivative Financial Instruments              | 34.3             | 76.8             | (55.3)       |
| Other Assets                                  | 154.2            | 112.0            | 37.7         |
| <b>Investments</b>                            | <b>110.5</b>     | <b>98.9</b>      | <b>11.7</b>  |
| <b>Property, Plant and Equipment, Net</b>     | <b>33,473.1</b>  | <b>33,222.3</b>  | <b>0.8</b>   |
| <b>Intangible Assets, Net</b>                 | <b>42,723.2</b>  | <b>43,331.9</b>  | <b>(1.4)</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <b>104,641.0</b> | <b>101,382.8</b> | <b>3.2</b>   |
| <b>LIABILITIES</b>                            | <b>33,559.3</b>  | <b>31,921.4</b>  | <b>5.1</b>   |
| <b>Current Liabilities</b>                    | <b>19,550.2</b>  | <b>17,862.5</b>  | <b>9.4</b>   |
| Payroll and Related Charges                   | 731.9            | 723.4            | 1.2          |
| Suppliers and Accounts Payable                | 8,021.2          | 7,447.1          | 7.7          |
| Taxes   | 2,136.2          | 1,731.3          | 23.4         |
| Loans and Financing                           | 1,453.3          | 1,621.0          | (10.3)       |
| Debentures                                    | 84.0             | 1,412.5          | (94.1)       |
| Dividends and Interest on Shareholders Equity | 4,852.5          | 2,396.1          | 102.5        |
| Provisions                                    | 1,269.3          | 1,434.9          | (11.5)       |
| Derivative Financial Instruments              | 20.5             | 5.2              | 294.2        |
| Deferred Revenues                             | 522.5            | 372.6            | 40.2         |
| Other Liabilities                             | 458.8            | 718.4            | (36.1)       |

|                                  |                 |                 |              |
|----------------------------------|-----------------|-----------------|--------------|
| <b>Non-Current Liabilities</b>   | <b>14,009.1</b> | <b>14,058.9</b> | <b>(0.4)</b> |
| Payroll and Related Charges      | 0.0             | 23.3            | n.a.         |
| Taxes                            | 33.8            | 49.4            | (31.6)       |
| Deferred Taxes                   | 2,030.1         | 709.3           | 186.2        |
| Loans and Financing              | 1,853.7         | 2,320.1         | (20.1)       |
| Debentures                       | 3,115.0         | 3,108.3         | 0.2          |
| Provisions                       | 5,785.1         | 6,709.8         | (13.8)       |
| Derivative Financial Instruments | 18.3            | 15.4            | 18.8         |
| Deferred Revenues                | 369.1           | 350.6           | 5.3          |
| Other Liabilities                | 804.0           | 772.7           | 4.1          |
| <b>SHAREHOLDERS' EQUITY</b>      | <b>71,081.7</b> | <b>69,461.4</b> | <b>2.3</b>   |
| Capital Stock                    | 63,571.4        | 63,571.4        | 0.0          |
| Capital Reserve                  | 1,213.5         | 1,213.5         | 0.0          |
| Profit Reserve                   | 2,468.8         | 2,463.2         | 0.2          |
| Additional Proposed Dividends    | 0.0             | 2,191.9         | n.a.         |
| Other Comprehensive Income       | 31.4            | 21.4            | 46.7         |
| Accumulated Profits              | 3,796.6         | 0.0             | n.a.         |
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## Conference Call

English

Date: **July 25, 2018 (Wednesday)**

Time: **10:00 AM (Brasilia time) and 9:00 AM (New York time)**

Telephone: **+1 (412) 717-9224**

Access code: **Telefônica Brasil**

Click here to access the webcast.

A replay of the conference call will be available one hour after the end of the event until **August 6, 2018**, at **(+1 412) 317-0088** (Code: **10121654**)

## Telefônica Brasil - Investor Relations

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This document may contain forward-looking statements. Such statements do not constitute historical facts and merely reflect the expectations of the Company's management. Such terms as "anticipate", "believe", "estimate", "expect", "foresee", "intend", "plan", "project", "target" and similar, are intended to identify such statements, which evidently involve risks and uncertainties, both foreseen and unforeseen by the Company. Consequently, the Company's future operating results may differ from present expectations and readers should not place undue reliance on the information contained herein. These forward-looking statements express opinions formed solely on the date on which they were issued, and the Company is under no obligation to update them in line with new information or future developments.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

|       |               |                                      |
|-------|---------------|--------------------------------------|
| Date: | July 25, 2018 | <b>TELEFÔNICA BRASIL S.A.</b>        |
|       |               | By: /s/ Luis Carlos da Costa Plaster |
|       |               | Name: Luis Carlos da Costa Plaster   |
|       |               | Title: Investor Relations Director   |

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