

TELEFONICA BRASIL S.A.
Form 6-K
July 26, 2017

**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, 2017

Commission File Number: 001-14475

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

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

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

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

Form 20-F

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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Highlights

- **Total accesses** came to 97.6 million in June 2017, 74.3 million of which in the mobile segment (+1.4% y-o-y¹) and 23.2 million in the fixed segment (-2.1% y-o-y);
- **Mobile market share** reached 30.7% in June 2017 (+1.8 p.p. y-o-y);
- **Postpaid mobile accesses** grew 9.7% y-o-y, reaching **market share** of 42.3% in June 2017 (19.6 p.p. higher than the second highest market share);
- **Mobile ARPU** recorded y-o-y growth of 3.6% in 2Q17, fueled by a higher share of postpaid clients in the mix and stronger adoption of data, whose ARPU increased by 30.8% y-o-y in 2Q17;
- **Broadband accesses** totaled 7.4 million clients in 2Q17 (+2.6% y-o-y), with FTTx² connections accounting for 58.7% of the base, accompanied by y-o-y growth of 8.5% and record FTTH net additions (124 thousand). Broadband ARPU climbed 10.9% y-o-y in 2Q17;
- **Net operating services revenue** grew 2.3% in 2Q17 over 2Q16 (4.2% up y-o-y, excluding regulatory effects);
- **Mobile services revenue** climbed by 4.8% y-o-y in 2Q17 (versus 5.0% y-o-y in 1Q17). Excluding the effect from MTR reductions in 2017, this line increased 7.0% over 2Q16. **Data and digital services revenue** increased 32.4% y-o-y, accounting for 71.8% of mobile services revenue in 2Q17;
- **Operating costs**³ fell 0.6% in 2Q17 over 2Q16 (LTM IPCA +3.0% in June), reflecting the continuous efforts to reduce costs by focusing on increasing efficiency, synergies and digitalization. Considering the non-recurring effect from the organizational restructuring totaling R\$101.2 million in 2Q16, costs fell 1.9%;
- **Recurring EBITDA**³ totaled R\$3,528.4 million in 2Q17, 6.9% up on 2Q16, accompanied by a **recurring EBITDA margin**³ of 33.0% and y-o-y increase of 1.6 p.p.;
- **CAPEX** totaled R\$1,818.0 million in 2Q17 and R\$3,146.2 million in 1H17. **Operating cash flow (EBITDA³ - Capex)** increased by 17.6% y-o-y in 1H17, to

R\$3,896.2 million;

- **Free Cash Flow from business activities**⁴ grew 53.4% in 1H17, driven by greater efficiency, optimized allocation of Capex and synergies;
- **4G coverage expansion**, reaching more than 1,477 cities (71.4% of population coverage), of which 60 cities with access to 4G+ technology through carrier aggregation, improving customer experience;
- **Deployment of fiber to the home (FTTH) to five new cities** in 2017 (Barra Mansa, Volta Redonda, Avaré, Campo Limpo Paulista and Lençóis Paulista), now covering a total of 69 cities;
- **Net income**³ amounted to R\$872.9 million in 2Q17, 24.8% up on 2Q16;

1) y-o-y: annual variation;

2) FTTx includes customers in FTTH (Fiber to the Home) and FTTC (Fiber to the Cabinet) technologies, as well as cable customers;

3) Excludes the non-recurring effect from the sale of towers in 1Q16, positively impacting costs and EBITDA by R\$ 513.5 million and the net income by R\$ 338.9 million, and the non-recurring effect from the corporate restructuring in 2Q16, negatively impacting costs and EBITDA by R\$ 101.2 million and the net income by R\$ 66.8 million;

4) Excludes the non-recurring effect from the cleaning of the 700 MHz 4G spectrum in 1Q17 totaling R\$ 655.1 million and revenue from the sale of towers totaling R\$ 562.1 million, as well as expenses with the provision for the corporate restructuring, amounting to R\$ 21.8 million, both in 2Q16.

Telefonica Brasil S.A. (BM&FBOVESPA: VIVT3 and VIVT4, NYSE: VIV), discloses today its results for the second quarter of 2017, presented in accordance with the International Financial Reporting Standards (IFRS) and with the pronouncements, interpretations and guidelines provided by the Accounting Pronouncements Committee. Totals are subject to differences due to rounding up or down.

HIGHLIGHTS

Net Operating Revenues	10,697.2	10,510.0	1.8	10,590.1	1.0	21,287.3	20,941.4	1.7
Net Operating Services Revenues	10,434.6	10,200.4	2.3	10,334.2	1.0	20,768.8	20,330.0	2.2
Net operating mobile revenues	6,271.7	5,984.1	4.8	6,208.0	1.0	12,479.7	11,895.2	4.9
Net operating fixed revenues	4,162.9	4,216.3	(1.3)	4,126.2	0.9	8,289.1	8,434.8	(1.7)
Net handset revenues	262.6	309.7	(15.2)	255.9	2.6	518.5	611.4	(15.2)
<i>Operating costs</i>	<i>(7,168.8)</i>	<i>(7,309.7)</i>	<i>(1.9)</i>	<i>(7,076.2)</i>	<i>1.3</i>	<i>(14,245.0)</i>	<i>(13,952.6)</i>	<i>2.1</i>
Recurring Operating costs¹	(7,168.8)	(7,208.5)	(0.6)	(7,076.2)	1.3	(14,245.0)	(14,364.9)	(0.8)
<i>EBITDA</i>	<i>3,528.4</i>	<i>3,200.3</i>	<i>10.3</i>	<i>3,513.9</i>	<i>0.4</i>	<i>7,042.3</i>	<i>6,988.8</i>	<i>0.8</i>
<i>EBITDA Margin %</i>	<i>33.0%</i>	<i>30.5%</i>	<i>2.5 p.p.</i>	<i>33.2%</i>	<i>(0.2) p.p.</i>	<i>33.1%</i>	<i>33.4%</i>	<i>(0.3) p.p.</i>
Recurring EBITDA¹	3,528.4	3,301.5	6.9	3,513.9	0.4	7,042.3	6,576.5	7.1
Recurring EBITDA Margin¹ %	33.0%	31.4%	1.6 p.p.	33.2%	(0.2) p.p.	33.1%	31.4%	1.7 p.p.
<i>Net income</i>	<i>872.9</i>	<i>699.5</i>	<i>24.8</i>	<i>996.2</i>	<i>(12.4)</i>	<i>1,869.1</i>	<i>1,917.7</i>	<i>(2.5)</i>
Recurring Net income¹	872.9	766.3	13.9	996.2	(12.4)	1,869.1	1,645.6	13.6
Capex	1,818.0	1,770.6	2.7	1,328.2	36.9	3,146.2	3,262.5	(3.6)

Operational Cash Flow²	1,710.4	1,530.9	11.7	2,185.8	(21.7)	3,896.2	3,314.0	17.6
Total accesses (thousand)	97,585	97,054	0.5	97,236	0.4	97,585	97,054	0.5
Total mobile accesses	74,335	73,304	1.4	73,997	0.5	74,335	73,304	1.4
Total fixed accesses	23,250	23,750	(2.1)	23,239	0.0	23,250	23,750	(2.1)

1) Excludes the non-recurring effect from the sale of towers in 1Q16, positively impacting costs and EBITDA by R\$ 513.5 million and the net income by R\$ 338.9 million, and the non-recurring effect from the organizational restructuring in 2Q16, negatively impacting costs and EBITDA by R\$ 101.2 million and the net result by R\$ 66.8 million;

2) Excludes the non-recurring effect from the cleaning of the 700 MHz 4G spectrum in 1Q17 totaling R\$ 655.1 million, in addition to revenue from the sale of towers totaling R\$ 562.1 million, and expenses with the provision for the corporate restructuring amounting to R\$ 21.8 million, both in 2Q16.

Mobile Business

OPERATING PERFORMANCE

Mobile total accesses	74,335	73,304	1.4	73,997	0.5	74,335	73,304	1.4
Postpaid	34,683	31,629	9.7	33,825	2.5	34,683	31,629	9.7
M2M	5,599	4,598	21.8	5,279	6.0	5,599	4,598	21.8
Prepaid	39,652	41,675	(4.9)	40,171	(1.3)	39,652	41,675	(4.9)
Market Share	30.7%	28.9%	1.8 p.p.	30.5%	0.2 p.p.	30.7%	28.9%	1.8 p.p.
Postpaid	42.3%	42.4%	(0.0) p.p.	42.0%	0.3 p.p.	42.3%	42.4%	(0.0) p.p.
Mobile Broadband (modem only)	50.0%	49.9%	0.1 p.p.	50.3%	(0.3) p.p.	50.0%	49.9%	0.1 p.p.
Net additions	338	33	923.2	219	54.6	557	35	1,477.9
Postpaid	858	370	131.8	435	97	1,292	555	132.8
Market Share of postpaid net additions	59.0%	39.7%	19.3 p.p.	39.3%	19.8 p.p.	50.5%	40.3%	10.2 p.p.
Market penetration¹	116.7%	123.0%	(6.3) p.p.	117.2%	(0.5) p.p.	116.7%	123.0%	(6.3) p.p.
Monthly churn	3.3%	3.3%	0.0 p.p.	3.3%	(0.0) p.p.	3.3%	3.3%	0.0 p.p.
Postpaid ex. M2M	1.8%	1.9%	(0.1) p.p.	1.7%	0.2 p.p.	1.7%	1.8%	(0.1) p.p.
Prepaid	4.6%	4.3%	0.3 p.p.	4.7%	(0.1) p.p.	4.7%	4.4%	0.3 p.p.
ARPU (R\$/month)²	28.2	27.2	3.6	28.0	0.7	28.1	27.1	3.8
Voice	8.0	11.8	(32.3)	8.8	(9.4)	8.4	12.3	(31.6)
Data	20.2	15.5	30.8	19.2	5.3	19.7	14.8	33.2
Postpaid ex. M2M ARPU²	52.6	51.3	2.6	52.0	1.3	52.3	50.7	3.2
Prepaid ARPU²	13.1	13.4	(2.4)	13.6	(3.7)	13.3	13.6	(2.0)
M2M ARPU²	3.2	3.3	(3.4)	3.0	4.1	3.1	3.3	(6.5)
MOU¹	154.2	160.3	(3.8)	157.2	(1.9)	155.7	155.8	(0.0)

1) May 2017;

2) ARPU data including intercompany revenue eliminations.

- **Total accesses** increased 1.4% over 2Q16, to 74,335 thousand. The postpaid segment continues to be worthy of mention, with y-o-y expansion of 9.7%, totaling 34,683 thousand accesses and accounting for 46.7% of mobile accesses, up by 3.5 p.p. in the annual comparison.
- **Total market share** came to 30.7% in 2Q17 (+1.8 p.p. y-o-y). Telefônica Brasil gained 59.0% of **postpaid** net additions in the second quarter (50.5% in 1H17), with a market share of 42.3% in June. The Company also has a relevant market share in 4G-technology terminals (34.6% in June 2017), reflecting the quality of the customer base and the Company's data focused strategy.
- In the second quarter, **mobile net additions** came to 338 thousand accesses, with postpaid net additions totaling 858 thousand accesses (+131.8% y-o-y) and net prepaid disconnections amounting to 519 thousand accesses, accompanied by a significant migration of prepaid clients to control plans.
- The **prepaid customer base** contracted by 4.9% in June 2017 over June 2016, due to the migration of prepaid clients to control plans and the continuous adoption of a restrictive policy for disconnecting inactive clients within the criteria established by ANATEL, underlying the Company's focus on rationality and profitability.

3

- The access base continued to expand in the **machine-to-machine (M2M)** market, reaching 5.6 million customers in June 2017, 21.8% up on the previous year, leading the segment with a market share of 40.8% in June 2017.
- **Total ARPU** increased by 3.6% in 2Q17 over 2Q16, fueled by the performance of **data ARPU**, up by 30.8%. Excluding MTR reductions, total ARPU posted y-o-y growth of 5.7%.

NET OPERATING REVENUE

Net operating mobile revenues	6,534.36,293.7	3.86,464.0	1.112,998.2	12,506.6			
Net service mobile revenues	6,271.75,984.1	4.86,208.0	1.012,479.7	11,895.2			
Outgoing voice	1,539.92,213.3	(30.4)1,672.2	(7.9) 3,212.0	4,657.2	(3)		
Interconnection	233.1 327.3	(28.8) 272.7	(14.5) 505.8	684.4	(2)		
Data plus Digital Services	4,500.53,399.7	32.44,258.7	5.7 8,759.2	6,508.0	3		
Messaging P2P	367.9 381.2	(3.5) 372.8	(1.3) 740.7	763.5	(3)		
Internet	3,530.62,450.5	44.13,394.2	4.0 6,924.8	4,618.0	5		
Digital Services	602.0 568.0	6.0 491.8	22.4 1,093.8	1,126.6	(2)		
Other services	(1.8) 43.8	n.a. 4.5	n.a. 2.7	45.7	(9)		
Net handset revenues	262.6 309.7	(15.2) 255.9	2.6 518.5	611.4	(1)		
% Data plus Digital Services Revenues / MSR	71.8% 56.8%	14.9 p.p.	68.6% 3.2 p.p.	70.2%	54.7%	15.5 p.p.	

Note: As of 3Q16, for a better understanding of the business and to better reflect the results of our digital initiatives, digital services and VAS revenues were booked under the same line. With this in mind and for comparison purposes, historical figures were reclassified. The complete history of 2015 and 2016 data can

be found on our website (www.telefonica.com.br/ir).

Net mobile revenue climbed 3.8% in 2Q17 over 2Q16, due to higher mobile services revenue, 4.8% up y-o-y. The mobile services revenue growth was fueled by the continuous increase in data and digital services revenue, partially offset by lower voice revenue, by the effect of MTR reductions in February 2017 and by lower revenue from the sale of handsets. Excluding the regulatory effect, second-quarter mobile services revenue increased by 7.0% over 2Q16.

Outgoing voice revenue fell 30.4% over 2Q16, mainly reflecting the higher consumption of data services as a substitute for voice services. The prepaid segment was also influenced by the y-o-y reduction in the volume of recharges due to current macroeconomic conditions.

Interconnection revenue contracted by 28.8% over 2Q16, mainly due to the MTR tariff reduction in February 2017 (-45.6%). With the normalization of this effect, interconnection revenue increased 11.0% in 2Q17 over 2Q16, thanks to the higher offer of off-net traffic by the industry.

Data and digital services revenue rose 32.4% y-o-y and continued to be the main source of the Company's revenue growth, reflecting our strategy focused on data. This performance was influenced by the upselling of data bundles, particularly in postpaid offers, by a higher adoption of family plans and by the higher penetration of smartphones in our customer base. In 2Q17, data and digital services revenue increased to 71.8% of net mobile services revenue, up by 14.9 p.p. y-o-y.

SMS (P2P Messaging) revenue fell 3.5% y-o-y in 2Q17, reflecting the lower consumption of this service due to its maturity.

In the second quarter, **mobile internet** revenue moved up by 44.1% over the same quarter last year and by 4.0% over 1Q17, accounting for 78.4% of 2Q17 data revenue. This performance is directly linked to the growth in postpaid data accesses, particularly in 4G plans, the increased sale of stand-alone data packages and the growth of the smartphone customer base. At the close of 2Q17, 80.8% of our customer base already had smartphones or web phones, 4.3 p.p. up on 2Q16.

Digital services revenue climbed 6.0% in 2Q17 over 2Q16, mainly due to the inclusion of VAS in control and prepaid plans in the quarter.

Other services revenue presented a reduction of R\$ 46 million over 2Q16, due to a policy change related to the credits concession of the Vivo Valoriza program, which created a positive impact in 2Q16.

Mobile handset revenue contracted by 15.2% in 2Q17 over 2Q16, mainly due to the Company's higher selectiveness in the sale of terminals focused on higher-value customers.

Fixed Line Business

OPERATING PERFORMANCE

Total fixed accesses	23,250	23,750	(2.1)	23,239	0.0	23,250	23,750	(2.1)
Fixed voice accesses	14,168	14,741	(3.9)	14,242	(0.5)	14,168	14,741	(3.9)
Residential	9,178	9,670	(5.1)	9,237	(0.6)	9,178	9,670	(5.1)
Corporate	4,545	4,623	(1.7)	4,561	(0.3)	4,545	4,623	(1.7)
Others	444	448	(0.8)	444	(0.0)	444	448	(0.8)
Fixed broadband	7,435	7,248	2.6	7,336	1.4	7,435	7,248	2.6
FTTx	4,366	4,023	8.5	4,227	3.3	4,366	4,023	8.5
Others	3,069	3,225	(4.8)	3,109	(1.3)	3,069	3,225	(4.8)
Pay TV	1,647	1,761	(6.5)	1,661	(0.9)	1,647	1,761	(6.5)
Voice ARPU (R\$/month)	41.7	43.2	(3.4)	41.9	(0.5)	41.8	43.3	(3.4)
Broadband ARPU (R\$/month)	49.5	44.6	10.9	48.6	1.9	49.0	44.5	10.1
Pay TV ARPU (R\$/month)	95.1	90.6	4.9	94.7	0.4	94.9	89.7	5.8

- The **fixed base** totaled 23,250 thousand **accesses** in 2Q17, 2.1% down on 2Q16, mainly influenced by the performance of voice accesses.
- **Fixed voice accesses** totaled 14,168 thousand in 2Q17, 3.9% down on 2Q16, mainly reflecting the fixed-to-mobile convergence and the voice-to-data substitution. Voice ARPU decreased by 3.4% y-o-y, fueled by the negative impact caused by the reduction of interconnection rates.
- **Fixed broadband accesses** registered 7.4 million customers in 2Q17, 2.6% more than in 2Q16. The FTTx customer base expanded by 8.5% in 2Q17 over 2Q16, reaching 4,366 thousand accesses, 1.1 million of which in the FTTH technology, 45.1% more than in the previous year. FTTx customers accounted for 58.7% of total broadband accesses, fueling the ARPU uplift, which grew 10.9% in 2Q17 over 2Q16.
- **Pay TV accesses** contracted by 6.5% y-o-y, closing the second quarter with 1,647 thousand subscribers and a market share of 8.9% in May. IPTV accesses grew 65.4% in 2Q17 over 2Q16, while TV ARPU increased by 4.9%, reflecting the Company's strategy of focusing on higher-value clients.

NET OPERATING REVENUE

Net operating fixed revenue	4,162.9	4,216.3	(1.3)	4,126.2	0.9	8,289.1	8,434.8	(1.7)
Voice	1,778.6	1,924.2	(7.6)	1,796.3	(1.0)	3,574.8	3,874.6	(7.7)
Interconnection	43.6	55.7	(21.6)	50.4	(13.5)	94.1	159.5	(41.0)
Broadband ¹	1,096.8	968.2	13.3	1,064.0	3.1	2,160.7	1,923.4	12.3
Corporate Data and IT	592.3	609.5	(2.8)	574.4	3.1	1,166.7	1,173.2	(0.6)
Pay TV	472.3	481.6	(1.9)	478.6	(1.3)	950.9	957.6	(0.7)
Other services	179.4	177.2	1.2	162.5	10.3	341.9	346.6	(1.3)
% Non-Voice Revenues² / Net Operating Fixed Revenue	56.2%	53.0%	3.2 p.p.	55.2%	1.0 p.p.	55.7%	52.2%	3.6 p.p.

1) Broadband revenue includes residential clients and SMEs.

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

Net revenue from the fixed business fell 1.3% in 2Q17 over 2Q16, impacted by the fixed-to-mobile tariff (VC) and fixed interconnection tariff (TU-RL and TU-RIU) reductions in February 2017, partially offset by the positive evolution in broadband, corporate data and IT revenues. Excluding the negative effect from tariff reductions, net fixed services revenue rose 0.2%.

Voice revenue fell 7.6% in 2Q17 over 2Q16, mainly due to the maturity of the service and the fixed-to-mobile substitution. Excluding VC reductions (-17.7%), voice revenue fell 4.9% y-o-y.

Interconnection revenue decreased by 21.6% over 2Q16, due to the reduction in TU-RL (-35.3%) and TU-RIU (-50.9%) in February 2017. Excluding this effect, interconnection revenue contracted by 4.0%, due to lower incoming traffic.

Broadband revenue rose 13.3% y-o-y, fueled by the increase in ultra-broadband revenue, which accounted for approximately 62.4% of this line in the period and grew

20.1% over the previous year, reflecting the Company's efforts to expand the base and clients' migration to higher speeds, fueling fiber accesses, whose ARPU is higher.

Corporate data and IT revenue dropped 2.8% y-o-y in 2Q17, due to the volatility arising from the negotiation of wholesale agreements and large companies agreements.

Pay TV revenue contracted 1.9% in 2Q17 over 2Q16. The Company continued with its selective strategy for this service, focusing on higher-value products, such as IPTV, which presented a revenue growth of 60.7% y-o-y, in order to improve customer experience and optimize the profitability of this service.

Other services revenue moved up by 1.2% y-o-y, mainly influenced by the higher revenue from the sale of equipment to corporate clients in 2Q17.

Consolidated Operating Costs

<i>Operating costs</i>	<i>(7,168.8)</i>	<i>(7,309.7)</i>	<i>(1.9)</i>	<i>(7,076.2)</i>	<i>1.3</i>	<i>(14,245.0)</i>	<i>(13,952.6)</i>	<i>2.1</i>
Personnel	(916.1)	(1,012.2)	(9.5)	(911.9)	0.5	(1,828.0)	(1,932.6)	(5.4)
Costs of services rendered	(2,861.8)	(3,013.1)	(5.0)	(2,911.2)	(1.7)	(5,773.0)	(6,073.5)	(4.9)
Interconnection	(324.6)	(451.2)	(28.1)	(393.0)	(17.4)	(717.6)	(1,007.6)	(28.8)
Taxes and contributions	(449.5)	(478.9)	(6.1)	(457.4)	(1.7)	(906.9)	(934.1)	(2.9)
Third-party services	(1,388.2)	(1,464.8)	(5.2)	(1,415.7)	(1.9)	(2,803.9)	(2,920.7)	(4.0)
Others	(699.5)	(618.2)	13.2	(645.1)	8.4	(1,344.6)	(1,211.1)	11.0
Cost of goods sold	(464.7)	(533.6)	(12.9)	(472.7)	(1.7)	(937.4)	(1,051.6)	(10.9)
Commercial expenses	(2,356.8)	(2,202.5)	7.0	(2,245.4)	5.0	(4,602.2)	(4,362.0)	5.5
Provision for bad debt	(370.8)	(317.0)	17.0	(357.7)	3.7	(728.5)	(661.4)	10.1
Third-party services	(1,884.2)	(1,808.1)	4.2	(1,806.3)	4.3	(3,690.5)	(3,530.4)	4.5
Others	(101.8)	(77.4)	31.5	(81.4)	25.1	(183.2)	(170.2)	7.6
General and administrative expenses	(364.5)	(390.1)	(6.6)	(367.7)	(0.9)	(732.2)	(775.7)	(5.6)
Other net operating revenue (expenses)	(204.9)	(158.2)	29.5	(167.3)	22.5	(372.2)	242.8	n.a.
Recurring Operational Costs¹	(7,168.8)	(7,208.5)	(0.6)	(7,076.2)	1.3	(14,245.0)	(14,364.9)	(0.8)

1) Excludes the non-recurring effect from the sale of towers in 1Q16, positively impacting costs by R\$ 513.5 million, and the corporate restructuring in 2Q16, which generated a negative impact of R\$ 101.2 million.

The Company's **operating costs**, excluding depreciation and amortization expenses, totaled R\$7,168.8 million in 2Q17, 1.9% down on 2Q16, in a period when inflation was 3.0% (IPCA). Considering the non-recurring effect from the organizational restructuring in 2Q16, costs fell 0.6% y-o-y.

Personnel costs reduced by 9.5% in 2Q17 over 2Q16, mainly due to the restructuring of the Company's headcount in 2Q16, which resulted in non-recurring costs of R\$ 101.2 million, partially offset by the collective bargaining agreement with base date in September 2016 (average increase of 8.0%). Excluding the non-recurring effect, personnel costs rose 0.6%, remaining below the period's inflation.

The **cost of services rendered** contracted by 5.0% in 2Q17 over 2Q16, positively influenced by VU-M/VC and TU-RL/TU-RIU reductions in February 2017. Excluding this effect, this line reduced 0.4% y-o-y, mainly reflecting increased TV content synergies as of 4Q16, lower expenses with data providers and the optimization of maintenance and conservation services.

Cost of goods sold (COGS) fell 12.9% in 2Q17 over 2Q16, reflecting the Company's focus on higher-value clients and profitability.

Commercial expenses increased 7.0% y-o-y in the second quarter, mainly due to higher commissioning expenses associated with the higher number of postpaid and fixed broadband customers.

Provisions for bad debt closed 2Q17 at R\$370.8 million, 3.7% up on 1Q17, mainly due to higher revenue and a larger postpaid customer base. As a result, bad debt remained stable y-o-y at 2.2% of 2Q17 gross revenue. The Company continued adopting effective collection initiatives and strict credit granting criteria, in the constant pursuit of greater efficiency in identifying clients' risk profile.

Third-party services grew 4.2% in 2Q17, influenced by increased commissions and expenses from telesales associated with the growth in the postpaid and ultra-broadband segments, partially offset by the reduction in costs of call center services due to digitalization, the simplification of offers and improved customer experience.

Second-quarter **general and administrative expenses** fell 6.6% over the same period last year, fueled by the greater optimization of properties and increased efficiency when contracting third-party services, mainly related to surveillance and cleaning services.

Other net operating revenues (expenses) totaled an expense of R\$204.9 million in 2Q17, R\$46.7 million more than in 2Q16, mainly justified by taxes related to other revenues.

Ebitda

Recurring EBITDA (earnings before interest, taxes, depreciation and amortization) totaled R\$3,528.4 million in 2Q17, 6.9% up on 2Q16, mainly due to higher mobile revenue and cost-efficiency measures adopted by the Company. Including the non-recurring effect from the provision for organizational restructuring in 2Q16 (R\$101.2 million), **EBITDA** grew 10.3% y-o-y.

The **recurring EBITDA margin** stood at 33.0%, with y-o-y increase of 1.6 p.p. in 2Q17 over 2Q16.

Note: Excludes the non-recurring effect from the provision for the organizational restructuring in 2Q16, which generated a negative impact on EBITDA of R\$ 101.2 million.

Depreciation and Amortization

Depreciation and Amortization	(1,957.2)(1,953.3)	0.2(1,943.6)	0.7(3,900.8)(3,866.6)	0.9
Depreciation	(1,318.0)(1,312.5)	0.4(1,292.1)	2.0(2,610.1)	