

TELEFONICA BRASIL S.A.
Form 6-K
May 16, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of May, 2013

Commission File Number: 001-14475

TELEFÔNICA BRASIL S.A.

(Exact name of registrant as specified in its charter)

TELEFONICA BRAZIL S.A.

(Translation of registrant's name into English)

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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

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

MARCH 31, 2013

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 March 31, 2013, which comprises the balance sheet and related statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the three-month period then ended, including the notes thereto.

The management is responsible for the preparation of the individual interim accounting information according to CPC Technical Pronouncement CPC 21 (R1) – Interim Statement and interim consolidated accounting information according to CPC 21 (R1) 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 (R1) applicable to the preparation of Quarterly Information (ITR) and presented in accordance with the Brazilian SEC (CVM) regulations.

Conclusion on consolidated interim information

Based on our review, we are not aware of any fact which makes us believe that the consolidated interim accounting information included in the aforesaid quarterly information was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information (ITR) and presented in accordance with Brazilian SEC (CVM) regulations.

Emphasis

Restatement of correspondent amounts

As mentioned in Note 2, as a consequence of the change in accounting policies introduced by the adoption of IFRS 11, the correspondent amounts, individual and consolidated, related to the balance sheet of the period ended December 31, 2012 and the correspondent interim accounting information related to the statement of income, of comprehensive income, of changes in shareholders' equity, of cash flows and added value (supplementary information), related to the three-month period ended March 31, 2012, presented for comparison purposes, were adjusted and are being restatement in accordance with CPC 23 – Accounting Policies, Change in Estimate and Ratification of Error and CPC 26 (R1) – Presentation of the Financial Statements. Our conclusion is not changed regarding this matter.

Other matters

Interim statement of value added

We have also reviewed the individual and consolidated statement of value added (SVA), referring to the three-month period ended March 31, 2013, 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.

São Paulo, May 06, 2013.

CRC Nº 2SP013002/O-3

Clóvis Ailton Madeira

CTCRC Nº 1SP106895/O-1 "S"

TELEFÔNICA BRASIL S. A.**Balance sheets****At March 31, 2013 and December 31, 2012****(In thousands of reais)**

ASSETS	Note	Company		Consolidated		LIABILITIES AND EQUITY	Note	Company		Consolidated
		3.31.13	12.31.12	3.31.13	12.31.12			3.31.13	12.31.12	
CURRENT ASSETS		5,904,545	6,515,094	15,441,513	16,209,181	CURRENT LIABILITIES		5,827,871	5,910,070	12,841,000
Cash and cash equivalents	3	3,021,450	3,079,282	6,750,950	7,133,485	Personnel, social charges and benefits payable	13	155,152	205,780	350,000
Trade accounts receivable, net	4	2,119,489	2,150,724	5,514,537	5,512,272	Trade accounts payable	14	2,128,565	2,191,047	5,090,000
Inventories	5	31,412	24,403	404,044	387,809	Taxes, charges and contributions	15	484,754	529,055	1,850,000
Taxes recoverable	6.1	448,825	602,328	1,900,911	2,052,421	Loans and financing	16.1	739,630	743,941	1,240,000
Judicial deposits and garnishments	7	-	-	131,518	126,625	Debentures	16.2	678,768	702,215	670,000
Derivative transactions	34	30,504	39,197	32,452	41,109	Dividends and interest on equity	17	534,730	467,831	530,000
Prepaid expenses	8	44,390	26,610	426,564	248,337	Provisions	18	347,808	334,852	520,000
Dividends and interest on equity	17	5,656	394,105	1,140	1,140	Derivative transactions	34	8,172	8,747	30,000
Other assets	9	202,819	198,445	279,397	705,983	Deferred income	19	63,600	69,743	710,000
NONCURRENT ASSETS		50,767,359	51,067,347	53,193,109	54,041,911	Reverse split of fractional shares		345,884	345,953	380,000
Short-term investments pledged as collateral		29,048	23,920	115,191	109,708	Authorization license		-	-	1,000,000
Trade accounts receivable, net	4	-	-	95,858	93,378	Other liabilities	20	340,808	310,906	410,000
Taxes recoverable	6.1	501,070	549,225	703,381	738,965	Noncurrent liabilities		7,015,865	6,991,251	11,960,000
Deferred taxes	6.2	-	-	840,950	1,027,888	Taxes, charges and contributions	15	29,474	30,057	500,000
	7	3,124,781	3,068,256	3,983,123	3,909,268	Deferred taxes	6.2	1,268,337	1,216,651	1,260,000

Judicial deposits and garnishments										
Derivative transactions	34	20,901	21,465	259,917	286,278	Loans and financing	16.1	477,361	582,422	3,51
Prepaid expenses	8	15,389	16,720	29,394	31,396	Debentures	16.2	2,256,100	2,253,690	2,25
Other assets	9	176,023	75,587	126,664	92,308	Provisions	18	2,529,661	2,457,632	3,55
Investments	10	21,407,304	21,561,061	128,687	142,881	Derivative transactions	34	-	3,733	2
Property, plant and equipment, net	11	9,970,171	10,020,263	17,056,283	17,604,144	Deferred income	19	37,226	39,022	29
Intangible assets, net	12	15,522,672	15,730,850	29,853,661	30,005,697	Post-retirement benefit plans	33	379,420	372,368	39
						Other liabilities	20	38,286	35,676	14
						TOTAL EQUITY		43,828,168	44,681,120	43,82
						EQUITY		43,828,168	44,681,120	43,82
						Capital	21	37,798,110	37,798,110	37,79
						Capital reserves	21	2,686,897	2,686,897	2,68
						Income reserves	21	1,100,000	1,100,000	1,10
						Premium on acquisition of non-controlling interest	21	(70,448)	(70,448)	(70
						Other comprehensive income	21	5,095	17,792	
						Proposed additional dividend	21	1,498,769	3,148,769	1,49
						Retained earnings	21	809,745	-	80
						TOTAL LIABILITIES AND EQUITY		56,671,904	57,582,441	68,63
TOTAL ASSETS		56,671,904	57,582,441	68,634,622	70,251,092					

TELEFÔNICA BRASIL S. A.
Income Statements
Three-month periods ended March 31, 2013 and 2012
(In thousands of reais)

	Note	Company		Consolidated	
		2013	2012	2013	2012
OPERATING REVENUE, NET	22	3,149,971	3,263,797	8,555,484	8,311,285
Cost of services rendered and products sold	23	(2,063,281)	(2,023,786)	(4,409,574)	(4,249,817)
GROSS PROFIT		1,086,690	1,240,011	4,145,910	4,061,468
OPERATING INCOME (EXPENSES)		(165,527)	(213,608)	(2,796,029)	(2,533,021)
Selling expenses	24	(761,195)	(829,794)	(2,163,553)	(2,160,309)
General and administrative expenses	25	(192,581)	(199,576)	(618,024)	(556,140)
Equity pickup	10	795,367	828,464	(446)	507
Other operating income (expenses), net	26	(7,118)	(12,702)	(14,006)	182,921
OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES)		921,163	1,026,403	1,349,881	1,528,447
Financial income	27	111,436	155,561	365,120	336,208
Financial expenses	27	(166,742)	(190,809)	(381,851)	(399,419)
INCOME BEFORE TAXES		865,857	991,155	1,333,150	1,465,236
Income and social contribution taxes	28	(55,682)	(33,705)	(522,975)	(508,658)
NET INCOME FOR THE PERIOD		810,175	957,450	810,175	956,578
Attributable to:					
Non-controlling interest		-	-	-	(872)
Controlling interest		810,175	957,450	810,175	957,450
Base and diluted earnings per common share		0.68	0.80		
Basic and diluted earnings per preferred share		0.74	0.88		

TELEFÔNICA BRASIL S. A.
Statements of changes in equity
Period ended March 31, 2013
(In thousands of reais)

	Capital	Premium on acquisition of non-controlling interest	Special goodwill reserve	Capital reserve Capital reserve	Treasury stock	Income reserve Legal reserve	Retained earnings	Proprietary dividends
Balances at December 31, 2011	37,798,110	(29,929)	63,074	2,735,930	(79,339)	877,322	-	1,950,000
Expired dividends and interest on equity	-	-	-	-	-	-	4,856	-
Repurchase of shares	-	-	-	-	(1,365)	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	957,450	-
Balances at March 31, 2012	37,798,110	(29,929)	63,074	2,735,930	(80,704)	877,322	962,306	1,950,000
Additional dividend proposed for 2011	-	-	-	-	-	-	-	(1,950,000)
Expired dividends and interest on equity	-	-	-	-	-	-	84,836	-
Other changes in equity	-	-	-	-	-	-	(3,240)	-
Repurchase of shares	-	-	-	-	(31,403)	-	-	-
Non-controlling interest	-	(40,519)	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	(46,056)	-

Net income for the year	-	-	-	-	-	-	-	3,496,123	
Allocation of income:									
Legal reserve	-	-	-	-	-	-	222,678	(222,678)	
Interim dividends	-	-	-	-	-	-	-	(1,122,522)	
Proposed additional dividend	-	-	-	-	-	-	-	(3,148,769)	3,148,769
Balances at December 31, 2012	37,798,110	(70,448)	63,074	2,735,930	(112,107)	1,100,000	-	-	3,148,769
Additional dividend proposed for 2012	-	-	-	-	-	-	-	-	(1,650,000)
Other comprehensive income	-	-	-	-	-	-	-	(430)	
Net income for the period	-	-	-	-	-	-	-	810,175	
Balances at March 31, 2013	37,798,110	(70,448)	63,074	2,735,930	(112,107)	1,100,000	809,745	1,490,000	1,490,000
Outstanding shares (in thousands) VPA – equity value of Company's shares									

TELEFÔNICA BRASIL S. A.**Cash flow statements****Three-month periods ended March 31, 2013 and 2012****(In thousands of reais)**

	Company		Consolidated	
	2013	2012	2013	2012
Cash flow from operating activities				
Income before taxes	865,857	991,155	1,333,150	1,465,236
Items not affecting cash				
Expenses (revenue) not representing changes in cash	77,508	75,763	1,869,431	1,405,529
Depreciation and amortization	668,409	652,628	1,397,276	1,317,945
Foreign exchange variation on loans	9,924	7,876	31,141	9,413
Monetary variation	35,895	(5,363)	45,244	(3,694)
Equity pickup	(795,367)	(828,464)	446	(507)
Gain (loss) on assets write-off/disposal	(53,996)	5,117	(53,633)	(208,107)
Provision for impairment of accounts receivable	80,152	77,944	203,086	181,860
Provision (reversal) of trade accounts payable	(7,969)	73,443	16,798	(117,199)
Provision (write-offs and reversals) for impairment of inventory	3,294	(4,776)	6,668	5,316
Pension plan and other post-retirement benefits	6,648	(1,345)	6,579	(3,603)
Provisions for tax, labor, civil and regulatory contingencies	63,881	31,122	100,166	78,334
Interest expenses	68,704	67,769	114,580	139,101
Reversal of provision for demobilization	(2,067)	(188)	(2,516)	(508)
Provision for customer loyalty programs	-	-	3,596	7,300
Other	-	-	-	(122)
(Increase) decrease in operating assets:	(136,646)	202,217	(489,808)	214,478
Trade accounts receivable, net	(48,917)	(58,321)	(207,831)	28,226
Inventories	(10,303)	(382)	(22,904)	31,683
Taxes recoverable	(1,239)	314,546	(174,449)	302,091
Other current assets	(8,425)	(3,474)	(35,970)	7,560
Other noncurrent assets	(67,762)	(50,152)	(48,654)	(155,082)
Increase (decrease) in operating liabilities:	16,013	(384,238)	(481,176)	(1,032,259)
Personnel, social charges and benefits	(50,628)	(34,274)	(63,820)	(92,754)
Trade accounts payable	6,967	(90,528)	(393,922)	(193,103)
Taxes, charges and contributions	158,013	(108,548)	522,680	(172,693)
Interest paid	(92,972)	(34,386)	(159,925)	(94,256)
Income and social contribution taxes paid	-	(9,483)	(351,863)	(274,845)
Other current liabilities	16,480	(107,531)	(10,267)	(167,372)
Other noncurrent liabilities	(21,847)	512	(24,059)	(37,236)
Total cash from operating activities	822,732	884,897	2,231,597	2,052,984
Net cash provided by (used in) investing activities				

Advance for future capital contribution in subsidiaries	(46,050)	-	-	-
Additions of PP&E and intangible assets (net of donations)	(480,723)	(632,808)	(1,127,556)	(1,494,657)
Cash received from sale of PP&E items	20,045	653	316,407	1,361
Dividends and interest on equity received	1,320,449	-	-	-
Total cash from (used in) investing activities	813,721	(632,155)	(811,149)	(1,493,296)
Net cash from (used in) financing activities				
Payment of loans, financing and debentures	(104,986)	(195,561)	(216,558)	(305,608)
Loans and debentures raised	-	-	9,493	6,966
Derivative agreements payment, net	(6,130)	(5,416)	(12,749)	(23,574)
Payments referring to grouping of shares	(68)	-	(68)	-
Dividends and interest on equity paid	(1,583,101)	-	(1,583,101)	-
Repurchase of treasury stock	-	(1,365)	-	(1,365)
Total cash used in financing activities	(1,694,285)	(202,342)	(1,802,983)	(323,581)
Increase (decrease) in cash and cash equivalents	(57,832)	50,400	(382,535)	236,107
Cash and cash equivalents at beginning of period	3,079,282	826,902	7,133,485	2,889,543
Cash and cash equivalents at end of period	3,021,450	877,302	6,750,950	3,125,650
Changes in cash and cash equivalents for the period	(57,832)	50,400	(382,535)	236,107

TELEFÔNICA BRASIL S. A.
Statements of comprehensive income
Three-month periods ended March 31, 2013 and 2012
(In thousands of reais)

	Company		Consolid
	2013	2012	2013
Net income for the period	810,175	957,450	810,175
Unrealized losses with investments available for sale	(11,258)	2,550	(11,258)
Taxes on unrealized losses with investments available for sale	3,997	(5,098)	3,997
Unrealized actuarial losses and effect of asset limitation of surplus plans	-	-	(651)
Taxes on unrealized actuarial losses and effect of asset limitation of surplus plans	-	-	221
Gains from derivative transactions	-	-	(4,464)
Taxes on gains from derivative transactions	-	-	1,518
Cumulative transaction adjustments – operations in foreign currency	(2,490)	142	(2,490)
Interest in comprehensive income of subsidiaries	(3,376)	2,148	-
Net losses recognized in equity	(13,127)	(258)	(13,127)
Comprehensive income for the year	797,048	957,192	797,048
Attributable to:			
Non-controlling interest	-	-	-
Controlling interest	797,048	957,192	
Basic and diluted earnings per common share	0.67	0.80	
Basic and diluted earnings per preferred share	0.73	0.88	

TELEFÔNICA BRASIL S. A.
Statement of value added
Three-month periods ended March 31, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	2013	2012	2013	2012
Revenues	4,138,408	4,361,417	11,617,590	11,474,033
Sale of products and services	4,156,028	4,374,387	11,674,436	11,275,098
Other revenues	62,532	64,974	146,240	380,795
Provision for impairment	(80,152)	(77,944)	(203,086)	(181,860)
Inputs acquired from third parties	(2,125,784)	(1,967,407)	(5,038,646)	(4,183,609)
Cost of products, goods and services sold	(1,623,983)	(1,327,792)	(3,414,178)	(2,256,786)
Materials, electric power, outsourced services and other	(558,997)	(633,767)	(1,678,979)	(1,884,313)
Loss/recovery of assets	57,196	(5,848)	54,511	(42,510)
Gross value added	2,012,624	2,394,010	6,578,944	7,290,424
Retentions	(668,409)	(652,628)	(1,397,276)	(1,317,945)
Depreciation and amortization	(668,409)	(652,628)	(1,397,276)	(1,317,945)
Net value added produced	1,344,215	1,741,382	5,181,668	5,972,479
Value added received in transfer	906,803	984,025	364,674	336,715
Equity pickup	795,367	828,464	(446)	507
Financial income	111,436	155,561	365,120	336,208
Total value added to be distributed	2,251,018	2,725,407	5,546,342	6,309,194
Distribution of value added	(2,251,018)	(2,725,407)	(5,546,342)	(6,309,194)
Personnel, social charges and benefits	(245,390)	(234,194)	(629,400)	(537,530)
Direct compensation	(142,479)	(197,080)	(376,112)	(431,349)
Benefits	(80,130)	(24,524)	(213,672)	(79,733)
Unemployment compensation fund contribution tax (FGTS)	(22,781)	(12,590)	(39,616)	(26,448)
Taxes, charges and contributions	(814,290)	(1,195,603)	(3,110,601)	(3,904,316)
Federal	(311,589)	(300,828)	(1,515,338)	(1,533,448)
State	(490,318)	(872,609)	(1,574,382)	(2,340,181)
Local	(12,383)	(22,166)	(20,881)	(30,687)
Debt remuneration	(283,243)	(293,612)	(855,316)	(823,684)
Interest	(165,300)	(196,782)	(379,856)	(398,408)
Rent	(117,943)	(96,830)	(475,460)	(425,276)
Equity remuneration	(810,175)	(957,450)	(810,175)	(957,450)
Retained profit	(810,175)	(957,450)	(810,175)	(956,578)
Other	(97,920)	(44,548)	(140,850)	(86,214)

Provisions for labor and civil contingencies, net	(97,920)	(44,548)	(140,850)	(86,214)
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Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

Quarter ended March 31, 2013

(In thousands of reais, unless otherwise indicated)

1. OPERATIONS

a. Shareholding controlling interest

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

b. Operations

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

Service concessions and authorizations are granted by Brazil's Telecommunications Regulatory Agency (ANATEL), under the terms of Law No. 9472, of July 16, 1997 – General Law of Telecommunications ("Lei Geral das Telecomunicações" - LGT), amended by Laws No. 9986, of July 18, 2000 and No. 12485, of September 12, 2011 (Notes 1.b.1 and 1.b.2). It operates under regulations and supplementary plans issued.

b.1) STFC service concession arrangement

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

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

The service concession arrangement establishes that all assets owned by the Company and that are indispensable to the provision of the services described in the referred to arrangement are considered reversible assets and are deemed to be part of the service concession assets. These assets will be automatically returned to ANATEL upon termination of the service concession arrangement, according to the regulation in force. At March 31, 2013, estimated residual value of reversible assets was R\$6,973,461 (R\$6,911,508 at December 31, 2012), which comprised switching and transmission equipment and public use terminals, external network equipment, energy equipment and system and operation support equipment.

Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

Quarter ended March 31, 2013

(In thousands of reais, unless otherwise indicated)

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

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

Vivo S.A., wholly-owned subsidiary of the Company, is authorized to render SMP services, which are also regulated by ANATEL.

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

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

b.3) Corporate restructuring

In order to simplify the Company's current organizational structure, and to help the Company integrate business and generate synergies from the rationalization of services provided, on March 15, 2012, the Company filed with ANATEL a request for previous approval of corporate restructuring, which became legally feasible due to legislation changes applicable to STFC operators through Law No. 12485.

The corporate restructuring proposed can only be implemented after previous approval by ANATEL, which is still analyzing the request.

c. Subsidiaries

The Company holds equity interest in direct and indirect subsidiaries (wholly-owned subsidiaries) and jointly controlled entities. Some information on investees is as follows.

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

Vivo S.A. (Vivo): Vivo is engaged in SMP services, including activities necessary or useful to the completion of such services, in accordance with authorizations granted.

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

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(In thousands of reais, unless otherwise indicated)

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

Telefônica Sistema de Televisão S.A. (TSTV):

Engages in the provision of pay TV services under the Multichannel Multipoint Distribution of Signals (MMDS), besides the provision of telecommunication services in general and Internet.

Ajato Telecomunicações Ltda. (Ajato): It is engaged in the rendering of telecommunication and IT services, access to telecommunication and Internet network, through radio, including telemarketing data and image services, rental business, import, export, maintenance and repair of this equipment.

GTR-T Participações e Empreendimentos S.A. (GTR-T):

Engages in holding equity interest in other companies whose purpose is to provide cable and pay TV services, telecommunications in general, production, acquisition, licensing, import and distribution of own or third party TV programs, spare parts and equipment, management and exploration of platforms of pay TV and telecommunication services..

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

Lemontree Participações S.A. (Lemontree):

Engages in holding equity interest in other companies whose purpose is to provide cable and pay TV services, telecommunications in general, production, acquisition, licensing, import and distribution of own or third party TV programs, spare parts and equipment, management and exploration of platforms of pay TV and telecommunication services and sale of data.

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

c.2) Jointly controlled entities

Aliança Atlântica Holding B.V. (Aliança): Company headquartered in Amsterdam, Holland, with 50% interest held by Telefônica Brasil and cash generated from sale of Portugal Telecom shares in June 2010. Through May 8, 2012, the Company held equity interest in Zon Multimédia, Company of the Portugal Telecom group which renders pay television services, Internet, distribution of audiovisual contents, cinema and telecommunication services. This equity interest was disposed of on May 8, 2012.

Telefônica Brasil S. A.**NOTES TO QUARTERLY INFORMATION****Quarter ended March 31, 2013****(In thousands of reais, unless otherwise indicated)**

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

Companhia ACT de Participações (ACT): It is engaged in holding interest in Refibra consortium, and activities related to the rendering of technical support services for the preparation of projects and completion of networks, by means of studies required to make them economically feasible, and monitor the progress of Consortium-related activities.

c.3) Interest in other companies

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

<u>Subsidiary</u>	Direct interest		Indirect interest		Total ownership interest
	Company	Ownership interest	Company	Ownership interest	
<u>Full subsidiaries</u>					
Vivo	Telefônica Brasil	100.00%	-	-	100.00%
TData	Telefônica Brasil	100.00%	-	-	100.00%
ATelecom	Telefônica Brasil	100.00%	-	-	100.00%
TSTV	Telefônica Brasil	100.00%	-	-	100.00%
Ajato	-	-	TSTV	100.00%	100.00%
GTR-T	Telefônica Brasil	100.00%	-	-	100.00%
TVA Sul		79.29%	GTR-T	20.71%	100.00%

	Telefônica Brasil				
Lemontree	Telefônica Brasil	100.00%	-	-	100.00%
Comercial Cabo	Telefônica Brasil	78.48%	Lemontree	21.52%	100.00%
<u>Jointly controlled entities</u>					
Aliança	Telefônica Brasil	50.00%	-	-	50.00%
AIX	Telefônica Brasil	50.00%	-	-	50.00%
ACT	Telefônica Brasil	50.00%	-	-	50.00%

d. Share trading on stock exchanges

The Company is listed in the Brazilian Securities and Exchange Commission (CVM) as a publicly-held company under category A (issuers authorized to trade any marketable securities) and has shares traded on the São Paulo Stock Exchange (BM&FBovespa). It is also listed in the US Securities and Exchange Commission (SEC), and its level II American Depositary Shares (ADS), listed in preferred shares only, are traded on the *New York Stock Exchange* (NYSE).

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

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

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

Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

Quarter ended March 31, 2013

(In thousands of reais, unless otherwise indicated)

d.2) Shares traded on the NYSE

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

- Type of share: preferred.
- Each ADS represents 1 (one) preferred share.
- Shares are traded as ADS under ticker “VIV” on the NYSE.
- Foreign depository bank: *The Bank of New York*.
- Custodian bank in Brazil: Banco Itaú S.A.

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

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

2. BASIS FOR PREPARATION AND PRESENTATION OF QUARTERLY INFORMATION

The Company's quarterly information (ITR) for the quarter ended March 31, 2013 is presented in thousands of reais (unless otherwise indicated) and is presented considering the Company's ability to continue as a going concern.

The Company and its subsidiaries have no seasonal operations.

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

Company management, in meeting held on April 29, 2013, authorized the issuance of this quarterly information, which was confirmed by the Board of Directors in meeting held on May 6, 2013.

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

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

Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

Quarter ended March 31, 2013

(In thousands of reais, unless otherwise indicated)

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

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

• IAS 1 Presentation of financial statements – presentation of Other Comprehensive Income items

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

IAS 19 Employee Benefits (Revision): IASB has issued several amendments to IAS 19. Such amendments include from basic changes, such as exclusion of the corridor approach and the concept of expected returns on plan assets, to simple clarifications on appreciation, depreciation and reformulation. Revisions are effective for financial years beginning on or after January 1, 2013. The application of this amendment has no significant impacts on the financial position or performance of the Company and its subsidiaries.

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

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

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

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NOTES TO QUARTERLY INFORMATION

Quarter ended March 31, 2013

(In thousands of reais, unless otherwise indicated)

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

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

IFRS 13 – Fair Value Measurement: IFRS 13 establishes a single source of guidance, for IFRS purposes, for all fair value measurements. IFRS 13 does not change determination when an entity is required to use the fair value, but provides guidance on how to measure fair value under the IFRS when such fair value is required or allowed. This standard became effective for financial years beginning on or after January 1, 2013. Application of this standard has no impacts on the Company for the first-time adoption period.

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

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

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

Telefônica Brasil S. A.**NOTES TO QUARTERLY INFORMATION****Quarter ended March 31, 2013****(In thousands of reais, unless otherwise indicated)**

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

	Balance sheet at 12.31.12	IFRS 11 adjustments and reclassifications	Balance sheet at 12.31.12, disclosed on 3.31.13
ASSETS			
Current assets			
Cash and cash equivalents	7,196,079	(62,594)	7,133,485
Trade accounts receivable, net	5,513,436	(1,164)	5,512,272
Inventories	387,809	-	387,809
Dividends and interest on equity	-	1,140	1,140
Taxes recoverable	2,052,423	(2)	2,052,421
Judicial deposits and garnishments	126,625	-	126,625
Derivative transactions	41,109	-	41,109
Prepaid expenses	248,337	-	248,337
Other assets	706,124	(141)	705,983
Total current assets	16,271,942	(62,761)	16,209,181
Noncurrent assets			
Short-term investments pledged as collateral	109,708	-	109,708
Trade accounts receivable, net	93,378	-	93,378
Taxes recoverable	738,965	-	738,965
Deferred taxes	1,029,598	(1,710)	1,027,888
Judicial deposits and garnishments	3,909,474	(206)	3,909,268
Derivative transactions	286,278	-	286,278
Prepaid expenses	31,396	-	31,396
Other assets	140,105	(47,797)	92,308
Investments	23,683	119,198	142,881
Property, plant and equipment, net	17,610,851	(6,707)	17,604,144
Intangible assets, net	30,009,289	(3,592)	30,005,697
Total noncurrent assets	53,982,725	59,186	54,041,911
Total assets	70,254,667	(3,575)	70,251,092

Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

Quarter ended March 31, 2013

(In thousands of reais, unless otherwise indicated)

	Balance sheet at 12.31.12	IFRS 11 adjustments and reclassifications	Balance sheet at 12.31.12, disclosed on 3.31.13
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Personnel, social charges and benefits	416,355	(103)	416,252
Trade accounts payable	5,889,377	(309)	5,889,068
Taxes, charges and contributions	1,781,480	(230)	1,781,250
Loans and financing	1,255,323	-	1,255,323
Debentures	702,215	-	702,215
Dividends and interest on equity	467,831	-	467,831
Provisions	496,790	-	496,790
Derivative transactions	29,586	-	29,586
Deferred revenue	734,573	-	734,573
Reverse split of fractional shares	389,510	-	389,510
Authorization license	994,977	-	994,977
Other liabilities	379,454	(37)	379,417
Total current liabilities	13,537,471	(679)	13,536,792
Noncurrent liabilities			
Taxes, charges and contributions	488,749	-	488,749
Deferred taxes	1,216,651	-	1,216,651
Loans and financing	3,756,001	-	3,756,001
Debentures	2,253,690	-	2,253,690
Provisions (a)	3,846,899	(393,262)	3,453,637
Post-retirement benefit plans (a)	-	392,269	392,269
Derivative transactions	26,545	-	26,545
Deferred revenue	303,362	-	303,362
Other liabilities	144,179	(1,903)	142,276
Total noncurrent liabilities	12,036,076	(2,896)	12,033,180
Equity	44,681,120	-	44,681,120
Total liabilities and equity	70,254,667	(3,575)	70,251,092

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

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NOTES TO QUARTERLY INFORMATION

Quarter ended March 31, 2013

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	Income statements for 1Q12 disclosed on 3.31.12	IFRS 11 adjustments	Income statements for 1Q12 disclosed on 3.31.12
Net operating revenue	8,314,330	(3,045)	8,311,285
Cost of services rendered and products sold	(4,234,140)	(15,677)	(4,249,817)
Gross profit	4,080,190	(18,722)	4,061,468
Selling expenses	(2,174,991)	14,682	(2,160,309)
General and administrative expenses	(559,163)	3,023	(556,140)
Other operating income, net	183,008	(87)	182,921
Equity pickup	-	507	507
Income before financial income (expenses)	1,529,044	(597)	1,528,447
Financial income	336,350	(142)	336,208
Financial expenses	(399,419)	-	(399,419)
Income before taxes	1,465,975	(739)	1,465,236
Income and social contribution taxes	(509,397)	739	(508,658)
Net income for the period	956,578	-	956,578

(a) R\$14,682 refers to co-billing, which was reclassified between Cost of Services Rendered and Selling Expenses.

New IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) not yet effective as of March 31, 2013

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

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

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	3.31.13	12.31.12	3.31.13	12.31.12 -Restated
Cash and banks	15,216	18,398	161,882	94,304
Short-term investments	3,006,234	3,060,884	6,589,068	7,039,181
Total	3,021,450	3,079,282	6,750,950	7,133,485

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

4. TRADE ACCOUNTS RECEIVABLE, NET

	Company		Consolidated	
	3.31.13	12.31.12	3.31.13	12.31.12 -Restated
Billed amounts	1,619,037	1,622,311	4,059,380	4,032,169
Unbilled amounts	768,233	804,965	1,648,658	1,675,091
Interconnection amounts	371,483	338,014	1,040,164	977,644
Gross accounts receivable	2,758,753	2,765,290	6,748,202	6,684,904
Provision for impairment	(639,264)	(614,566)	(1,137,807)	(1,079,254)
Total	2,119,489	2,150,724	5,610,395	5,605,650
Current	2,119,489	2,150,724	5,514,537	5,512,272
Non-current	-	-	95,858	93,378

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

	Company		Consolidated	
	3.31.13	12.31.12	3.31.13	12.31.12 -Restated
Falling due	1,302,581	1,395,227	4,175,949	4,297,961
Overdue from 1 to 30 days	397,458	377,142	733,927	718,838
Overdue from 31 to 60 days	129,774	113,042	266,502	218,930
Overdue from 61 to 90 days	70,844	51,107	164,568	188,835
Overdue from 91 to 120 days	28,978	27,955	64,125	60,648

Overdue for more than 120 days	189,854	186,251	205,324	120,438
Total	2,119,489	2,150,724	5,610,395	5,605,650

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

Changes in the provision for impairment are as follows:

	Company	Consolidated
Balance at December 31, 2012	(614,566)	(1,079,254)
Additions (Note 24)	(80,152)	(203,086)
Write-offs	55,454	144,533
Balance at March 3, 2013	(639,264)	(1,137,807)

Subsidiary A.Telecom has a product called "Soluciona TI," which is the leasing of IT equipment to the small- and medium-sized companies, which receive therefor fixed installments over the lease agreement effective term. Considering the contractual terms, the Company classified this product as Finance Lease Agreement as of March 31, 2013 and December 31, 2012.

The consolidated balance of trade accounts receivable as of March 31, 2013 and December 31, 2012 had the following effects:

Telefônica Brasil S. A.**NOTES TO QUARTERLY INFORMATION****Quarter ended March 31, 2013****(In thousands of reais, unless otherwise indicated)**

	3.31.13	12.31.12
Present value of minimum payments payable	304,602	294,245
Unrealized financial income	7,755	7,757
Gross investment in leases receivable	312,357	302,002
Provision for impairment	(90,842)	(86,648)
Total receivables, net	221,515	215,354
Current	125,657	121,976
Noncurrent	95,858	93,378

Aging list as of March 31, 2013 is as follows:

	Gross investment	Present value
Falling due up to one year	208,744	208,744
Falling due up to five years	103,613	95,858
Total	312,357	304,602

There are no unguaranteed residual values resulting in benefits to the lessor or contingent payments recognized as revenue for the period.

5. INVENTORIES

Company		Consolidated	
3.31.13	12.31.12	3.31.13	12.31.12 -Restated

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Consumer materials	49,121	39,641	69,441	59,417
Materials for resale (a)	5,835	5,835	390,799	380,163
Other inventory items	3,637	3,835	3,770	4,005
Total gross	58,593	49,311	464,010	443,585
Provision for impairment and provision for obsolescence	(27,181)	(24,908)	(59,966)	(55,776)
Total	31,412	24,403	404,044	387,809

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

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

	Company	Consolidated
Balance at December 31, 2012	(24,908)	(55,776)
Additions	(2,273)	(42,700)
Reversals	-	38,510
Balance at March 31, 2013	(27,181)	(59,966)

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

Telefônica Brasil S. A.**NOTES TO QUARTERLY INFORMATION**

Quarter ended March 31, 2013

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6. DEFERRED TAXES AND TAXES RECOVERABLE**6.1 Taxes recoverable**

	Company		Consolidated	
	3.31.13	12.31.12	3.31.13	12.31.12 -Restated
Withholding taxes and contributions	114,899	106,693	146,493	141,620
Income and social contributions taxes recoverable	251,839	453,933	393,769	528,109
State value-added tax - ICMS (a)	354,407	366,211	1,621,720	1,631,088
ICMS agreement No. 39/CAT Administrative Ruling 06 (b)	180,727	178,535	284,993	288,520
PIS and COFINS	39,437	39,265	95,700	148,092
Other	8,586	6,916	61,617	53,957
Total	949,895	1,151,553	2,604,292	2,791,386
Current	448,825	602,328	1,900,911	2,052,421
Noncurrent	501,070	549,225	703,381	738,965

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

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

6.2 Deferred taxes

The Company and its subsidiaries calculate deferred income and social contribution tax assets considering the existence of taxable profit for the past five financial years and expected future taxable profit generation,

which were based on a technical feasibility study, approved by the Board of Directors.

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

	Company		Consolidated	
	3.31.13	12.31.12	3.31.13	12.31.12 -Restated
Deferred assets				
Income and social contribution tax losses (a)	133,166	21,290	133,166	21,290
Merged tax credit (b)	6,307	9,461	6,307	9,461
Income and social contribution taxes on temporary differences (c)				
Provisions for labor, tax and civil contingencies	831,259	805,557	1,146,902	1,104,065
Post-retirement benefit plans	129,003	126,605	135,925	133,371
Provision for impairment - trade accounts receivable	102,408	93,442	186,312	169,434
Provision for demobilization, losses and disposal of assets	7,201	7,467	186,995	210,107
Profit sharing	15,618	34,888	34,293	62,218
Accelerated depreciation	132,570	128,070	224,155	421,768
Provision for impairment of inventory	9,242	8,469	15,380	13,951
Provision for customer loyalty programs	-	-	29,391	28,168
Derivative transactions	26,847	26,522	32,259	42,922
Trade accounts payable and other provisions	103,030	62,314	345,792	290,199
Income and social contribution taxes on temporary differences	27,095	81,926	90,087	134,460
Total deferred assets	1,523,746	1,406,011	2,566,964	2,641,414

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NOTES TO QUARTERLY INFORMATION

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(In thousands of reais, unless otherwise indicated)

	Company		Consolidated	
	3.31.13	12.31.12	3.31.13	12.31.12 -Restated
<u>Deferred liabilities</u>				
Merged tax credit (b)	(286,519)	(269,514)	(286,519)	(269,514)
Income and social contribution taxes on temporary differences (c)				
Technological Innovation Law	(205,660)	(209,185)	(407,928)	(416,700)
Foreign exchange variation	(3,893)	(3,383)	(3,893)	(3,383)
Customer portfolio	(525,255)	(546,383)	(525,255)	(546,383)
Trademark and patents	(501,021)	(508,178)	(501,021)	(508,178)
Licenses	(479,853)	(399,878)	(479,853)	(399,878)
Effects of goodwill generated upon merger of Vivo Part.	(400,780)	(344,927)	(400,780)	(344,927)
Goodwill of Vivo Part.	(320,244)	(266,870)	(320,244)	(266,870)
Income and social contribution taxes on temporary differences	(68,858)	(74,344)	(68,858)	(74,344)
Total deferred assets	(2,792,083)	(2,622,662)	(2,994,351)	(2,830,177)
Total noncurrent assets (liabilities), net	(1,268,337)	(1,216,651)	(427,387)	(188,763)
Total noncurrent deferred assets, net	-	-	840,950	1,027,888
Total noncurrent deferred liabilities, net	(1,268,337)	(1,216,651)	(1,268,337)	(1,216,651)

Deferred taxes were determined considering future realization, as follows:

a) Income and social contribution tax losses: represents the amount recorded by the Company and its subsidiaries which, according to the tax legislation in Brazil, can be offset up to 30% of the tax bases computed for the following years, with no expiry date. Subsidiaries TData, TSTV, Ajato, GTR-T, Lemontree, TVA Sul and Comercial Cabo did not record the potential deferred income and social contribution tax credits which would be generated for the use of income and social contribution tax losses amounting to R\$325,913 as of March 31, 2013 (R\$301,081 as of December 31, 2012), considering uncertainties, at this

moment, as to the ability of these subsidiaries to generate future taxable profits sufficient to ensure realization of these deferred taxes.

Tax credits of the Company and its subsidiaries arising from income and social contribution tax losses recognized and not recognized are as follows. During the quarter ended March 31, 2013, there was no significant change in the business of the Company and its subsidiaries indicating that a provision for losses of the referred to tax credits would be required.

	Income tax	Company Social contribution tax	Total	Income tax	Consolidated Social contribution tax	Total
Income and social contribution tax losses at 12.31.12	48,264	102,486	150,750	930,409	997,434	1,927,843
Tax credit (25% + 9%)	12,066	9,224	21,290	232,602	89,769	322,371
Tax credit recognized	12,066	9,224	21,290	12,066	9,224	21,290
Unrecognized tax credit	-	-	-	220,536	80,545	301,081
Income and social contribution tax losses at 3.31.13	373,990	440,762	814,752	1,332,447	1,399,638	2,732,085
Tax credit (25% + 9%)	93,498	39,669	133,166	333,112	125,967	459,079
Tax credit recognized	93,498	39,669	133,166	93,498	39,669	133,166
Unrecognized tax credit	-	-	-	239,614	86,299	325,913

b) Merged tax credit: Represented by tax benefits arising from corporate restructuring of goodwill for expected future profitability, whose tax use follows the limit set forth in tax legislation.

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

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

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Quarter ended March 31, 2013

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<u>Deferred tax assets</u>	Tax loss	Company Deferred assets	Total	Tax loss	Consolidated Deferred assets	Total
Balance at December 31, 2012 - Restated	21,290	1,384,721	1,406,011	21,290	2,620,124	2,641,414
Additions	111,876	42,664	154,540	111,876	116,378	228,254
Write-offs and realizations	-	(36,805)	(36,805)	-	(302,704)	(302,704)
Balance at March 31, 2013	133,166	1,390,580	1,523,746	133,166	2,433,798	2,566,964

<u>Deferred liabilities</u>	Company	Consolidated
Balance at December 31, 2012	(2,622,662)	(2,830,177)
Additions	(206,719)	(206,719)
Write-offs and realizations	37,298	42,545
Balance at March 31, 2013	(2,792,083)	(2,994,351)

7. JUDICIAL DEPOSITS AND GARNISHMENTS

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

a) Breakdown

Company		Consolidated	
3.31.13	12.31.12	3.31.13	12.31.12 -Restated

Judicial deposits				
Labor	861,118	830,081	971,689	933,866
Tax	1,574,155	1,549,738	2,217,139	2,182,513
Civil	676,544	667,646	878,795	866,668
Total	3,111,817	3,047,465	4,067,623	3,983,047
Garnishments	12,964	20,791	47,018	52,846
Total	3,124,781	3,068,256	4,114,641	4,035,893
Current	-	-	131,518	126,625
Noncurrent	3,124,781	3,068,256	3,983,123	3,909,268

b) Changes

	Labor	Tax	Company Civil	Garnishment	Total
Balances at 12.31.12 - noncurrent assets	830,081	1,549,738	667,646	20,791	3,068,256
Inflows	53,212	4,239	3,397	6,340	67,188
Write-offs/reversals	(32,357)	-	(3,376)	(10,327)	(46,060)
Monetary restatement	7,304	20,178	7,915	-	35,397
Transfers	2,878	-	962	(3,840)	-
Balances at 3.31.13 - noncurrent assets	861,118	1,574,155	676,544	12,964	3,124,781

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Quarter ended March 31, 2013

(In thousands of reais, unless otherwise indicated)

	Labor	Tax	Consolidated Civil	Garnishment	Total
Balances at 12.31.12 - Restated	933,866	2,182,513	866,668	52,846	4,035,893
Inflows	60,375	5,475	9,568	4,319	79,737
Write-offs/reversals	(36,483)	-	(11,458)	(6,210)	(54,151)
Monetary restatement	11,053	29,151	12,958	-	53,162
Transfers	2,878	-	1,059	(3,937)	-
Balances at 3.31.13	971,689	2,217,139	878,795	47,018	4,114,641
Current	42,648	16,181	44,778	27,911	131,518
Noncurrent	929,041	2,200,958	834,017	19,107	3,983,123

At March 31, 2013, the Company and its subsidiaries had a several number of tax-related judicial deposits, amounting to R\$1,574,155 (R\$1,549,738 as of December 31, 2012) and R\$2,217,139 (R\$2,182,513 as of December 31, 2012), Company and consolidated, respectively.

In Note 18, we present further details on the matters which give rise to these deposits.

Brief description of the main tax-related judicial deposits:

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

Vivo is involved in disputes related to: (i) claim arising from overpayment of tax credits, not recognized by tax authorities; (ii) tax debt arising from underpayment due to differences in ancillary statements (Federal Tax Debt and Credit Return – DCTF); and (iii) disputes referring to changes in rates and increase in tax bases introduced by Law No. 9718/98.

At March 31, 2013, consolidated judicial deposits amounted to R\$63,964 (R\$62,924 as of December 31, 2012).

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

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

At March 31, 2013, judicial deposits amounted to R\$5,073 (R\$5,038 as of December 31, 2012) and R\$140,055 (R\$136,211 as of December 31, 2012), Company and consolidated, respectively.

- Telecommunications Inspection Fund (FISTEL)

ANATEL collects Installation Inspection Fee (TFI) on extension of licenses granted and on radio base stations, mobile stations and radio links.

Such collection results from the ANATEL understanding that said extension would be a triggering event of TFI and that mobile stations, even if owned by third parties, are also subject to TFI. The Company and its subsidiaries understand that such collection is unjustified, and therefore challenged the aforesaid fee in court.

At March 31, 2013, judicial deposits amounted to R\$829,049 (R\$818,502 as of December 31, 2012) for the Company and consolidated.

Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

Quarter ended March 31, 2013

(In thousands of reais, unless otherwise indicated)

- Withholding income tax (IRRF)

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

At March 31, 2013, judicial deposits amounted to R\$49,281 (R\$48,759 as of December 31, 2012) and R\$59,040 (R\$58,367 as of December 31, 2012), Company and consolidated, respectively.

- Corporate Income Tax (IRPJ)

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

At March 31, 2013, judicial deposits amounted to R\$24,380 (R\$24,095 as of December 31, 2012) and R\$25,730 (R\$25,422 as of December 31, 2012), Company and consolidated, respectively.

- Contribution to Empresa Brasil de Comunicação (EBC)

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

At March 31, 2013, judicial deposits amounted to R\$36,386 (R\$34,765 as of December 31, 2012) and R\$383,824 (R\$370,026 as of December 31, 2012), Company and consolidated, respectively.

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

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

At March 31, 2013, judicial deposits amounted to R\$93,843 (R\$91,915 as of December 31, 2012) for the Company and consolidated.

- Unemployment Compensation Fund (FGTS)

The Company filed an injunction in order to represent its right not to pay surtax of 0.5% and 10% for FGTS introduced by Supplementary Law No. 110/2001 levied on deposits made by employers (the proceedings did not result in any reduction of FGTS deposits made by the Company on behalf of its employees).

Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

Quarter ended March 31, 2013

(In thousands of reais, unless otherwise indicated)

At March 31, 2013, judicial deposits amounted to R\$67.307 (R\$66.386 as of December 31, 2012) for the Company and consolidated.

- Tax on Net Income (ILL)

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

At March 31, 2013, judicial deposits amounted to R\$49,826 (R\$49,355 as of December 31, 2012) for the Company and consolidated.

- Universal Telecommunication Services Fund (FUST)

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

At March 31, 2013, judicial deposits amounted to R\$339,053 (R\$330,331 as of December 31, 2012) and R\$351,037 (R\$341,403 as of December 31, 2012), Company and consolidated, respectively.

- Provisional Contribution Tax on Financial Transactions (CPMF)

Given the merger of PTelecom Brasil S.A. into Vivo Part., merged into the Company in 2011, the judicial deposit balance related to the injunction filed by PTelecom Brasil S.A. was absorbed, so as to reject the

requirement for CPMF on pro forma and simultaneous foreign exchange agreements, as required by the Central Bank of Brazil to translate foreign loans into investment.

At March 31, 2013, judicial deposits amounted to R\$21,037 (R\$20,899 as of December 31, 2012) for the Company and consolidated.

- State Value-Added Tax (ICMS)

The Company and its subsidiaries were involved in disputes related to: (i) ICMS stated but not paid; (ii) ICMS not levied on communication in default; (iii) fine for late voluntary payment of ICMS; (iv) ICMS supposedly levied on access, adhesion, enabling, availability and use of services, as well as supplementary services and additional facilities; (v) right to credit from the acquisition of goods designed to Property, Plant and Equipment and electric energy; and (vi) activation cards for pre-paid services.

At March 31, 2013, judicial deposits amounted to R\$166 (R\$168 as of December 31, 2012) and R\$34,797 (R\$34,235 as of December 31, 2012), Company and consolidated, respectively.

- Other taxes, charges and contributions

Telefônica Brasil S. A.**NOTES TO QUARTERLY INFORMATION****Quarter ended March 31, 2013****(In thousands of reais, unless otherwise indicated)**

The Company and its subsidiaries were involved in disputes related to: (i) Service Tax (ISS) on non-core services; (ii) Municipal Real Estate Tax (IPTU) not subject to exemption; (iii) municipal inspection, operation and publicity charges; (iv) land use fee; (v) social security contributions related to supposed failure to withhold 11% on several invoices, bills and receipts or service providers engaged for workforce assignment; and (vi) Public Price for Numbering Resource Management (PPNUM) by ANATEL.

At March 31, 2013, judicial deposits amounted to R\$58,754 (R\$59,525 as of December 31, 2012) and R\$97,630 (R\$106,868 as of December 31, 2012), Company and consolidated, respectively.

8. PREPAID EXPENSES

	Company		Consolidated	
	3.31.13	12.31.12	3.31.13	12.31.12
Fistel (a)	-	-	189,959	-
Advertising and publicity	5,065	817	152,417	173,688
Rent	4,890	8,738	19,350	31,207
Insurance	3,038	4,731	5,759	10,705
Software maintenance	14,917	4,496	25,278	7,872
Financial charges	-	-	3,857	3,247
Taxes, charges and contributions	13,437	343	13,526	1,654
Other	3,043	7,485	16,418	19,964
Total current	44,390	26,610	426,564	248,337
Advertising and publicity	-	-	107	130
Rent	10,943	11,795	18,756	20,000
Insurance	2,781	3,144	3,180	3,545
Financial charges	-	-	3,506	3,905
Other	1,665	1,781	3,845	3,816
Total noncurrent	15,389	16,720	29,394	31,396

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

Telefônica Brasil S. A.**NOTES TO QUARTERLY INFORMATION**

Quarter ended March 31, 2013

(In thousands of reais, unless otherwise indicated)

9. OTHER ASSETS

	Company		Consolidated	
	3.31.13	12.31.12	3.31.13	12.31.12 - Restated
Advances to employees and suppliers	49,700	70,888	83,915	97,152
Related-party receivables	108,141	95,916	36,069	38,033
Subsidy on handset sales	-	-	21,931	53,756
Receivables from suppliers	29,632	16,930	96,493	479,283
Other assets	15,346	14,711	40,989	37,759
Total current	202,819	198,445	279,397	705,983
Advance for future capital increase	46,050	-	-	-
Pension plan surplus	17,999	17,595	48,979	48,048
Receivables from suppliers	33,341	-	33,341	-
Related-party receivables	55,783	34,643	19,915	20,118
Other assets	22,850	23,349	24,429	24,142
Total noncurrent	176,023	75,587	126,664	92,308

10. INVESTMENTS

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

a) Information of investees – Wholly-owned subsidiaries

At March 31, 2013

Vivo	TData	ATelecom	TSTV	TVA Sul	Lemontree	GTR-T
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							Comercial Cabo	
Assets								
Current	9,449,542	316,045	511,034	27,601	3,240	47	23,468	802
Noncurrent	12,673,193	139,035	405,729	158,619	41,574	7,743	168,175	583
Total assets	22,122,735	455,080	916,763	186,220	44,814	7,790	191,643	1,385
Liabilities								
Current	7,338,285	172,115	223,775	30,958	5,584	444	84,503	21
Noncurrent	4,783,084	30,176	56,728	14,101	36,417	50	72,519	-
Equity	10,001,366	252,789	636,260	141,161	2,813	7,296	34,621	1,364
Total liabilities	22,122,735	455,080	916,763	186,220	44,814	7,790	191,643	1,385

At December 31, 2012

	Vivo	TData	ATelecom	TSTV	TVA Sul	Lemontree	Comercial Cabo	GTR-T
Assets								
Current	9,877,926	358,299	498,074	40,087	2,178	6	25,435	801
Noncurrent	13,263,918	140,763	414,985	160,603	41,327	11,835	167,688	1,074
Total assets	23,141,844	499,062	913,059	200,690	43,505	11,841	193,123	1,875
Liabilities								
Current	8,213,367	174,535	218,126	34,818	9,522	437	117,652	14
Noncurrent	4,887,981	19,191	54,165	2,744	28,798	-	21,830	-
Equity	10,040,496	305,336	640,768	163,128	5,185	11,404	53,641	1,861
Total liabilities	23,141,844	499,062	913,059	200,690	43,505	11,841	193,123	1,875

	Vivo	TData	ATelecom	TSTV	TVA Sul	Lemontree	Comercial Cabo	GTR-T
Net income/(loss)								
At March 31, 2013	895,816	(52,153)	(4,472)	(21,967)	(1,880)	(4,108)	(14,926)	(497)
At March 31, 2012	898,236	(40,146)	(6,761)	(12,141)	(1,478)	(3,385)	(6,011)	(357)

Telefônica Brasil S. A.**NOTES TO QUARTERLY INFORMATION**

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b) Information of investees – Jointly controlled entities

	At March 31, 2013			At December 31, 2012		
	Aliança	AIX	ACT	Aliança	AIX	ACT
Assets						
Current	111,224	16,304	10	116,322	13,414	10
Noncurrent	-	116,716	-	-	120,024	-
Total assets	111,224	133,020	10	116,322	133,438	10
Liabilities						
Current	2,144	3,664	2	2,302	3,280	-
Noncurrent	-	5,920	-	-	5,792	-
Equity	109,080	123,436	8	114,020	124,366	10
Total liabilities	111,224	133,020	10	116,322	133,438	10
	Aliança	AIX	ACT			
Net income (loss)						
At March 31, 2013	20	(465)	(1)			
At March 31, 2012	90	419	(2)			

c) Changes in investments

	Balances at 12.31.12 - Restated	Equity pickup	Dividends and IOE stated and approved	Other comprehensive income	Balances at 3.31.13
Ownership interest	11,328,398	795,367	(932,000)	(5,866)	11,185,899
Full subsidiaries	11,209,200	795,813	(932,000)	(3,376)	11,069,637
A. Telecom S.A.	640,768	(4,472)	-	(36)	636,260
Telefônica Data S.A.	305,336	(52,153)	-	(394)	252,789
Telefônica Sistemas de Televisão S.A.	163,128	(21,967)	-	-	141,161

Vivo S.A.	10,040,496	895,816	(932,000)	(2,946)	10,001,366
GTR Participações e Empreendimentos S.A	1,861	(497)	-	-	1,364
Lemontree Participações S.A.	11,404	(4,108)	-	-	7,296
Comercial Cabo TV São Paulo S.A.	42,096	(14,926)	-	-	27,170
TVA Sul Paraná S.A.	4,111	(1,880)	-	-	2,231
Jointly controlled entities	119,198	(446)	-	(2,490)	116,262
Aliança Atlântica Holding B.V.	57,010	20	-	(2,490)	54,540
Companhia AIX de Participações	62,183	(465)	-	-	61,718
Companhia ACT de Participações	5	(1)	-	-	4
Goodwill	10,208,980	-	-	-	10,208,980
Other interest	23,683	-	-	(11,258)	12,425
Other investments	23,683	-	-	(11,258)	12,425
Total investments in Company	21,561,061	795,367	(932,000)	(17,124)	21,407,304
Aliança Atlântica Holding B.V.	57,010	20	-	(2,490)	54,540
Companhia AIX de Participações	62,183	(465)	-	-	61,718
Companhia ACT de Participações	5	(1)	-	-	4
Other investments (a)	23,683	-	-	(11,258)	12,425
Total investments in consolidated	142,881	(446)	-	(13,748)	128,687

(a) Investments measured at fair value.

Telefônica Brasil S. A.

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(In thousands of reais, unless otherwise indicated)

11. Property, Plant and Equipment (PP&E), net

a) BreakdownAt March 31, 2013:

	Company			Consolidated		
	Cost of property, plant & equipment	Accumulated depreciation	Net balance	Cost of property, plant & equipment	Accumulated depreciation	Net balance
Switching equipment	11,760,612	(10,525,864)	1,234,748	15,631,317	(13,381,351)	2,249,966
Transmission means and equipment	20,698,477	(16,276,785)	4,421,692	31,117,654	(23,941,310)	7,176,344
Terminal equipment/modems	5,458,774	(4,362,036)	1,096,738	10,081,633	(8,572,763)	1,508,870
Infrastructure	8,626,947	(6,149,961)	2,476,986	13,186,686	(9,195,608)	3,991,078
TV material and equipment	-	-	-	1,073,059	(815,273)	257,786
Other	1,379,938	(1,237,327)	142,611	3,678,020	(2,907,867)	770,153
Provisions for loss	(13,558)	-	(13,558)	(18,568)	-	(18,568)
Assets and installations in progress	610,954	-	610,954	1,120,654	-	1,120,654
Total	48,522,144	(38,551,973)	9,970,171	75,870,455	(58,814,172)	17,056,283

At December 31, 2012:

	Company			Consolidated - Restated		
	Cost of property, plant & equipment	Accumulated depreciation	Net balance	Cost of property, plant & equipment	Accumulated depreciation	Net balance
Switching equipment	11,688,628	(10,459,546)	1,229,082	15,533,267	(13,282,873)	2,250,394
Transmission means and equipment	20,514,733	(16,165,541)	4,349,192	30,733,907	(23,667,500)	7,066,407
Terminal equipment/modems	5,293,989	(4,219,074)	1,074,915	9,887,923	(8,319,035)	1,568,888

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Infrastructure	8,620,997	(6,103,762)	2,517,235	13,303,406	(9,041,716)	4,261,690
TV material and equipment	-	-	-	1,054,592	(861,018)	193,574
Other	1,378,888	(1,224,644)	154,244	3,669,065	(2,863,220)	805,845
Provisions for loss	(14,262)	-	(14,262)	(19,073)	-	(19,073)
Assets and installations in progress	709,857	-	709,857	1,476,419	-	1,476,419
Total	48,192,830	(38,172,567)	10,020,263	75,639,506	(58,035,362)	17,604,144

b) Changes

	Balance at 12.31.12	Company Additions	Write-offs, net	Transfers, net	Depreciation (c)	Balance at 3.31.13
Switching equipment	1,229,082	1,270	-	70,714	(66,318)	1,234,748
Transmission means and equipment	4,349,192	94,348	(2,480)	100,953	(120,321)	4,421,692
Terminal equipment/modems	1,074,915	164,743	-	2,086	(145,006)	1,096,738
Infrastructure	2,517,235	3,406	(7,836)	31,454	(67,273)	2,476,986
Other	154,244	1,112	(66)	-	(12,679)	142,611
Provisions for loss (a)	(14,262)	-	2,717	(2,013)	-	(13,558)
Assets and installations in progress	709,857	105,740	(1,449)	(203,194)	-	610,954
Total	10,020,263	370,619	(9,114)	-	(411,597)	9,970,171

Telefônica Brasil S. A.**NOTES TO QUARTERLY INFORMATION****Quarter ended March 31, 2013****(In thousands of reais, unless otherwise indicated)**

	Balance at 12.31.12 - Restated	Additions	Consolidated Write-offs, net (a)	Transfers, net (b)	Depreciation (c)	Balance at 3.31.13
Switching equipment	2,250,394	1,394	-	123,158	(124,980)	2,249,966
Transmission means and equipment	7,066,407	109,096	(3,112)	309,485	(305,532)	7,176,344
Terminal equipment/modems	1,568,888	193,724	(28)	2,088	(255,802)	1,508,870
Infrastructure	4,261,690	9,640	(7,664)	(93,154)	(179,434)	3,991,078
TV material and equipment	193,574	18,467	-	78,871	(33,126)	257,786
Other	805,845	5,266	(302)	20,375	(61,031)	770,153
Provisions for loss (a)	(19,073)	(414)	2,932	(2,013)	-	(18,568)
Assets and installations in progress	1,476,419	85,117	(2,057)	(438,825)	-	1,120,654
Total	17,604,144	422,290	(10,231)	(15)	(959,905)	17,056,283

(a) The Company and its subsidiaries recognized a provision for potential obsolescence of materials used in PP&E maintenance, based on levels of historical use and expected future use.

(b) Balances remaining in transfers stated in the previous cart refer to transfers between PP&E and intangible assets.

(c) Additions of costs and depreciation expenses are presented in "Depreciation and Amortization" in Notes 23, 24 and 25.

c) Depreciation rates

For the quarter ended March 31, 2013, PP&E were depreciated on a straight-line basis, at the following annual rates:

Switching equipment	10.00 to 33.33
Transmission means and equipment	5.00 to 14.29
Terminal equipment and modems	10.00 to 66.67
Infrastructure	4.00 to 66.67
TV material and equipment	8.00 to 20.00
Other PP&E	10.00 to 20.00

d) PP&E items given as guarantee

At March 31, 2013, the Company and its subsidiaries had PP&E items given in guarantee for lawsuits, amounting to R\$129,507 (R\$150,194 as of December 31, 2012) and R\$227,935 (R\$235,847 at December 31, 2012), Company and consolidated, respectively.

e) Capitalization of borrowing costs

At March 31, 2013 and December 31, 2012, the Company and its subsidiaries did not capitalize borrowing costs, as there were no qualifying assets.

12. INTANGIBLE ASSETS, NET

a) Breakdown

	Company		Consolidated	
	3.31.13	12.31.12	3.31.13	12.31.12 - Restated
Goodwill	-	-	10,225,280	10,225,280
Other intangible assets	15,522,672	15,730,850	19,628,381	19,780,417
Total	15,522,672	15,730,850	29,853,661	30,005,697

Breakdown of goodwill as of March 31, 2013 and December 31, 2012 is as follows:

Telefônica Brasil S. A.

NOTES TO QUARTERLY INFORMATION

Quarter ended March 31, 2013

(In thousands of reais, unless otherwise indicated)

Ajato Telecomunicação Ltda.	149
Spanish e Figueira (incorporado da TDBH) (a)	212,058
Santo Genovese Participações Ltda. (b)	71,892
Telefônica Televisão Participações S.A. (c)	780,693
Vivo Participações S. A. (d)	7,169,577
Telemig Celular S. A. (e)	133,896
Telemig Celular Participações S. A. (e)	1,485,172
Global Telecom S. A. (e)	204,762
Tele Centro Oeste Celular Participações S. A. (e)	150,930
Ceterp Celular S. A. (e)	16,151
Total	10,225,280

(a) Goodwill from partial spin-off of the company Spanish and Figueira, which was reversed to the Company upon merger with Telefonica Data Brasil Holding S.A. (TDBH) in 2006.

(b) Goodwill generated upon acquisition of equity control over Santo Genovese Participações (controlling member or Atrium Telecomunicações Ltda.) in 2004.

(c) Goodwill generated upon acquisition of Telefonica Televisão Participações TP (formerly Navytreet) merged in 2008. This is grounded on a future profitability study.

(d) Goodwill generated upon acquisition of Vivo Part. in April 2011.

(e) Goodwill arising from Vivo Part., reversed to the Company upon merger in 2011.

Breakdown of intangible assets as of March 31, 2013 and December 31, 2012 was as follows:

At March 31, 2013:

Company

Consolidated

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	Cost of intangible assets	Accumulated amortization	Net balance	Cost of intangible assets	Accumulated amortization	Net balance
<i>Software</i>	3,263,897	(2,709,876)	554,021	9,705,753	(7,818,823)	1,886,930
Customer portfolio	1,990,278	(445,411)	1,544,867	2,114,561	(569,694)	