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2,800.1

2,372.3

2,126.4

8,189.1

8,318.8

Capex ex. licenses / Net operating revenue

25.8%

22.0%

18.2%

18.8%

19.7%

Capex totaled R\$2,800.1 million in 4Q16 and R\$8,189.1 million in 2016. Excluding the amount related to the 2.5GHz licenses acquired in the auction of unoccupied frequencies held by Anatel on December 17, 2015 totaling R\$185.5 million in 3Q16, full-year capex reached R\$8,003.7 million (-3.8% y-o-y), accounting for 18.8% of net operating revenue. The amount invested reflects the successful implementation of efficiency initiatives and the capture of synergies.

In 2016, the majority of investments went to network capacity expansion and 4G coverage as well as the increase in FTTx penetration.

CASH FLOW

EBITDA	3,675.8	3,432.2	243.6	3,410.3	265.5	13
Investments (CAPEX)	(2,800.1)	(2,372.3)	(427.9)	(1,941.0)	(859.2)	(8)
Payment of interest, taxes and other financial expenses (revenues) ¹	(199.4)	(470.7)	271.4	(265.0)	65.6	(1)
Investments on working capital	865.7	1,612.4	(746.7)	313.2	552.5	

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Free Cash Flow of business activity	1,542.0	2,201.6	(659.6)	1,517.5	24.5	4
Payment of spectrum	0.0	0.0	0.0	(185.5)	185.5	(
Receipt of tower sale	0.0	0.0	0.0	0.0	0.0	
Non-recurring items	(49.1)	(4.5)	(44.6)	(79.3)	30.2	(
Free Cash Flow after extraordinaries	1,492.9	2,197.2	(704.3)	1,252.8	240.1	5

Note 1: Excludes the values related to the payment of income tax on IOE totaling R\$97.5 million in 4Q16, R\$24.2 million in 3Q16, R\$70.5 million in 4Q15, R\$280.6 million in 2016 and R\$287.8 million in 2015.

Free cash flow from business activities totaled R\$1,542.0 million in 4Q16, down by R\$659.6 million on 4Q15, reflecting the acceleration of investments in 4Q16, partially offset by the improved operating result. Free cash flow excluding non-recurring items reduced by R\$704.3 million, mainly due to the effects mentioned above.

In 2016, **free cash flow** amounted to R\$5,004.6 million, 36.0% up y-o-y, impacted by the sale of towers in 1Q16 and partially offset by the payment of the band in 3Q16 and non-recurring items throughout the year.

INDEBTEDNESS

LOANS AND FINANCING (R\$ million)

Consolidated	Currency	Annual Interest Rate	Due Date	Short-term	Long-term	Total
Local currency						
BNDES	UR LTIR	LTIR + 0.0% to 4.08%	Until 2023	583.4	1,547.1	2,130.5
BNDES	R\$	2.5% to 6.0%	Until 2023	119.5	235.9	355.4
BNDES	R\$	IPCA + 2.95% + TR	Until 2016	0.0	0.0	0.0
BNDES	R\$	SELIC D-2 + 2.32%	Until 2023	1.4	340.6	342.0
BNB	R\$	7.0% to 10.0%	Until 2022	7.5	34.8	42.3
Confirming	R\$	108% of CDI	Until 2017	722.6	0.0	722.6
Debentures 4 th issue - Series 3	R\$	IPCA + 4%	Until 2019	0.3	37.0	37.3
Debentures 1 st issue - Minas Comunica	R\$	IPCA + 0.5%	Until 2021	0.0	97.3	97.3
Debentures 3 rd issue - Single Series	R\$	100% of CDI + 0.75 spread	Until 2017	2,086.8	0.0	2,086.8
Debentures 4 th issue - Single Series	R\$	100% of CDI + 0.68 spread	Until 2018	33.4	1,299.5	1,332.9
Financial Leases	R\$	-	Until 2033	45.9	328.5	374.4
Contingent Consideration	R\$	-	Until 2025	0.0	414.7	414.7
Foreign currency						
Resolution 4131	US\$	2.05% and Libor + 2.00%	Until 2017	925.7	0.0	925.7
BNDES	UMBND	ECM + 2.38%	Until 2019	136.9	225.3	362.2
Total				4,663.5	4,560.6	9,224.1

L.T. OBLIGATIONS

(R\$ million)

December 2016	
Year	Amount
2018	2,309.6
2019	808.6
2020	380.9
2021	250.0
After 2021	811.5
Total	4,560.6

NET FINANCIAL DEBT

Consolidated in R\$ million	12/31/16	12/31/15	09/30/16
Short-term Debt	4,663.5	2,343.0	3,715.7
Long-term Debt	4,560.6	7,878.3	5,128.5
Total Debt	9,224.1	10,221.3	8,844.2
Cash and cash equivalents	(5,115.9)	(5,375.6)	(5,837.4)
Net derivatives position	(28.4)	(264.8)	(10.6)
Net debt	4,079.8	4,580.9	2,996.3
Net debt/EBITDA	0.29	0.36	0.22

The Company closed 2016 with a **gross debt** of R\$9,224.1 million, 14.0% of which denominated in foreign currency. Currently, foreign exchange exposure of debt is 100% covered by hedge operations. Gross debt composition includes bilateral agreements

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extending the payment terms with suppliers, booking R\$ 722.6 million in non-current liabilities (R\$ 1,228.7 million in 4Q15).

Net debt totaled R\$4,079.8 million at the close of 2016, accounting for 0.29x EBITDA. In 2016 over 2015, net debt contracted by R\$501.1 million, or 10.9%, essentially due to the reception of the proceeds from the sale of towers in 1Q16 and the operating cash flow generation in the period.

Capital Market

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

VIVT3 and VIVT4 shares closed 2016 at R\$36.40 and R\$44.08 respectively, appreciating by 7.1% and 23.3% over 2015, versus an appreciation of 38.9% in the Bovespa Index (Ibovespa). In 2016, total shareholder return (TSR) reached 30.3% for preferred shares and 13.8% for common shares.

The Company's ADRs closed the quarter at US\$13.38, 48.5% up on 2015, versus a 12.3% valuation in the Dow Jones' index.

In 2016, the daily traded volume of VIVT3 and VIVT4 averaged R\$563.7 thousand and R\$88,922.9 thousand, respectively. The daily traded volume of ADRs averaged US\$24,965.5 thousand in the same period.

The chart below shows the Company's stock performance:

Capital Stock

Controlling Company	540,033,264	704,207,855	1,244,241,119
	94.47%	62.91%	73.58%
Minority shareholders	29,320,789	415,132,512	444,453,301
	5.13%	37.09%	26.28%
Treasury shares	2,290,164	339	2,290,503
	0.40%	0.00%	0.14%
Total number of shares	571,644,217	1,119,340,706	1,690,984,923
<i>Book Value per share:</i>	<i>R\$ 41.00</i>		
<i>Subscribed/Paid-in Capital:</i>	<i>R\$ 63,571.4Million</i>		

Dividends

In the fourth quarter, the Board of Directors' Meeting of December 19 approved, *ad referendum* of the Annual Shareholders' Meeting, the payment of interest on capital related to fiscal year 2016, totaling the gross amount of R\$604.1 million, equivalent to R\$0.335519 per common share and R\$0.369071 per preferred share. The payment will be made until the end of fiscal year 2017, on a date to be defined by the Board of Executive Officers to holders of common and preferred shares of record on December 30, 2016.

The interest on equity declared based on 2016 net income by Telefônica Brasil totaled R\$2,172 million. Of the remaining non-allocated balance of 2016 net income, R\$1,914 million was classified as additional dividends proposed to be submitted to approval by the Annual Shareholders' Meeting. The sum of the dividends and IOC declared on 2016 net income totals R\$4,086 million, representing a pay out on adjusted net income of 105.6%.

The dividends and interest on equity related to fiscal year 2015 totaling R\$3.3 billion were paid as follows: R\$1.2 billion² on August 23, 2016 and R\$2.1 billion² on December 13, 2016, as detailed in the table below.

In the first quarter of 2017, the Board of Directors' Meeting of February 13 approved the payment of interest on capital related to fiscal year 2017, totaling the gross amount of R\$180.0 million, equivalent to R\$0.099965 per common share and R\$0.109962 per preferred share. The payment will be made until the end of fiscal year 2018, on a date to be defined by the Board of Executive Officers to holders of common and preferred shares of record on February 24, 2017.

² The taxes related to IOC paid in August 2016 and December 2016 were paid in the months subsequent to the resolution of said payments.

IOC (based on 2017)	02/13/2017	02/24/2017	180.0	153.0	ON	0.099965	0.084970	Until
					PN	0.109962	0.093467	12/31/2018
Dividends (based on 2016)	04/26/2017	04/26/2017	1,914.0	1,914.0	ON	1.062955	1.062955	
					PN	1.169250	1.169250	Dec-17
IOC (based on 2016)	12/19/2016	12/30/2016	604.1	513.5	ON	0.335519	0.285191	
					PN	0.369071	0.313710	Dec-17
IOC (based on 2016)	09/19/2016	09/30/2016	650.0	552.5	ON	0.360985	0.306837	
					PN	0.397084	0.337521	Aug-17
IOC (based on 2016)	06/17/2016	06/30/2016	161.0	136.9	ON	0.089413	0.076001	
					PN	0.098355	0.083601	Aug-17
IOC (based on 2016)	04/18/2016	04/29/2016	220.0	187.0	ON	0.122180	0.103853	
					PN	0.134398	0.114238	Aug-17
IOC (based on 2016)	03/18/2016	03/31/2016	337.0	286.5	ON	0.187157	0.159083	
					PN	0.205873	0.174992	Aug-17
IOC (based on 2016)	02/19/2016	02/29/2016	200.0	170.0	ON	0.111072	0.094412	
					PN	0.122180	0.103853	Aug-17
Dividends (based on dec/2015)	04/28/16	4/28/16	1,287.2	1,287.2	ON	0.714875	0.714875	
					PN	0.786362	0.786362	12/13/16
IOC (based on 2015)	12/17/15	12/30/15	302.9	257.5	ON	0.168233	0.142998	
					PN	0.185056	0.157298	12/13/16

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IOC (based on 2015)	11/19/15	11/30/15	235.0	199.8	ON	0.130510	0.110934	
					PN	0.143561	0.122027	12/13/16
IOC (based on 2015)	10/19/15	10/30/15	88.0	74.8	ON	0.048872	0.041541	
					PN	0.053759	0.045695	12/13/16
IOC (based on 2015)	09/18/15	9/30/15	147.0	125.0	ON	0.081638	0.069392	
					PN	0.089802	0.076332	12/13/16
IOC (based on 2015)	08/20/15	8/31/15	237.0	201.5	ON	0.131621	0.111878	
					PN	0.144783	0.123065	08/23/16
IOC (based on 2015)	07/20/15	7/31/15	221.0	187.9	ON	0.122735	0.104325	
					PN	0.135008	0.114757	08/23/16
Dividends (based on 2015)	05/12/15	5/25/15	270.0	270.0	ON	0.170179	0.170179	
					PN	0.187196	0.187196	08/23/16
IOC (based on 2015)	05/12/15	5/25/15	515.0	437.8	ON	0.324600	0.275910	
					PN	0.357060	0.303501	08/23/16

³ Shareholders remunerations of R\$4.1 Billion, being R\$1.9 Billion in dividends and R\$2.2 Billion in interest on capital (Gross amount). To be ratified in the Telefonica Brasil's General Shareholders Meeting of 2017, to be held on April 26, 2017.

Additional Notes

On January 31, 2017, the Company paid the 2nd and 3rd installments related to the auction of the national 700 MHz frequency bands for the rendering of SMP services (Personal Mobile Service), held by ANATEL on September 30, 2014, totaling R\$859.0 million. This amount already had been included in Company's capex in 2014.

This installment refers to the Company's share of responsibility under the agreement signed with ANATEL, whereby the operators winning this auction set up EAD, the company responsible for the isonomic operation of all TV channel and RTV redistribution procedures and for solving problems arising from interference in radio communication systems, in addition to other operations involving obligations of the operators winning the auction, as provided for in the agreement.

At the meeting held on January 26, 2017, the Company's Board of Directors approved the Company's 5th issue of simple, non-convertible, unsecured debentures, in a single series totaling R\$2.0 billion, which will be object of public distribution with restricted distribution efforts, under a firm commitment regimen, pursuant to CVM Instruction 476, of January 16, 2009, as amended ("Restricted Offering" and "CVM Instruction 476", respectively).

The Restricted Offering is exclusively for professional investors, and it is automatically exempt from registration for public distribution, pursuant to CVM Instruction 476.

The Company will issue 200,000 debentures, with nominal unit value of R\$10,000.00 on February 8, 2017 ("issue date"). The debentures will mature in 5 years as of the issue date, that is, on February 8, 2022. The nominal unit value of each debenture will not be monetarily restated.

The outstanding balance of the nominal unit value of each debenture will bear interest of 108.25% of the accumulated variation of the average daily rate of interbank one-day deposits ("DI"), "over extra-group", expressed as an annual percentage, based on a year of 252 business days, calculated and disclosed daily by the CETIP.

The net proceeds obtained by the Company with the issue will be fully allocated to the restructuring of the Company's financial liabilities to meet the capital needs in the normal course of its business.

INCOME STATEMENT

Gross operating revenues	16,712.6	16,295.3	2.6	16,259.1	2.8	65,006.7	64,318.7
Net Operating Revenues	10,873.6	10,760.8	1.0	10,693.4	1.7	42,508.4	42,133.7
Mobile	6,592.6	6,426.9	2.6	6,439.0	2.4	25,538.2	25,136.2
Fixed	4,281.0	4,333.9	(1.2)	4,254.4	0.6	16,970.2	16,997.5
Operating costs	(7,250.3)	(7,328.6)	(1.1)	(7,283.1)	(0.5)	(28,486.0)	(29,419.5)
Personnel	(988.2)	(910.3)	8.6	(939.0)	5.2	(3,859.8)	(3,541.9)
Costs of services rendered	(2,782.1)	(2,986.2)	(6.8)	(3,050.6)	(8.8)	(11,906.2)	(12,203.2)
Interconnection	(462.8)	(615.0)	(24.7)	(453.7)	2.0	(1,924.1)	(2,647.0)
Taxes and contributions	(430.8)	(327.3)	31.6	(496.3)	(13.2)	(1,861.2)	(1,650.0)
Third-party services	(1,320.5)	(1,477.8)	(10.6)	(1,463.9)	(9.8)	(5,705.1)	(5,632.7)
Others	(568.0)	(566.1)	0.3	(636.7)	(10.8)	(2,415.8)	(2,273.5)
Cost of goods sold	(553.8)	(692.8)	(20.1)	(513.5)	7.8	(2,118.9)	(2,597.1)
Selling expenses	(2,290.3)	(2,263.5)	1.2	(2,257.8)	1.4	(8,910.1)	(9,143.4)
Provision for bad debt	(344.2)	(272.1)	26.5	(342.6)	0.5	(1,348.2)	(1,294.8)
Third-party services	(1,845.6)	(1,874.9)	(1.6)	(1,840.9)	0.3	(7,216.9)	(7,460.8)
Others	(100.5)	(116.5)	(13.7)	(74.3)	35.3	(345.0)	(387.8)
General and administrative expenses	(473.7)	(383.2)	23.6	(372.9)	27.0	(1,622.3)	(1,371.3)
Third-party services	(345.4)	(298.1)	15.9	(292.3)	18.2	(1,254.1)	(1,100.1)
Others	(128.3)	(85.1)	50.8	(80.6)	59.2	(368.2)	(271.2)
Other net operating revenue (expenses)	(162.2)	(92.6)	75.2	(149.3)	8.6	(68.7)	(562.6)
EBITDA	3,623.3	3,432.2	5.6	3,410.3	6.2	14,022.4	12,714.2
EBITDA Margin %	33.3%	31.9%	1.4 p.p.	31.9%	1.4 p.p.	33.0%	30.2%
Depreciation and Amortization	(1,815.2)	(1,914.9)	(5.2)	(1,972.6)	(8.0)	(7,654.4)	(7,319.6)
Depreciation	(1,154.8)	(1,276.1)	(9.5)	(1,315.1)	(12.2)	(5,054.3)	(4,820.3)
Amortization of intangibles	(289.0)	(311.5)	(7.2)	(289.1)	(0.0)	(1,180.0)	(1,212.4)
Others amortizations	(371.4)	(327.3)	13.5	(368.4)	0.8	(1,420.1)	(1,286.9)
EBIT	1,808.1	1,517.3	19.2	1,437.7	25.8	6,368.0	5,394.6
Net Financial Income	(315.3)	(200.3)	57.4	(296.3)	6.4	(1,234.5)	(1,108.7)
Income from financial investments	210.1	200.9	4.6	211.7	(0.8)	719.4	850.7
Interest and other financial income (expenses)	(117.6)	(99.3)	18.4	(57.2)	105.6	(361.4)	(380.3)
Charges	(220.3)	(269.8)	(18.3)	(292.9)	(24.8)	(1,061.1)	(1,003.0)
Monetary and exchange variation	(154.7)	77.1	n.a.	(145.5)	6.3	(183.5)	(1,475.7)
Gains (losses) on derivative transactions	(32.8)	(109.2)	(70.0)	(12.4)	164.5	(347.9)	899.6

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Gain (loss) on investments	0.2	0.5	(60.0)	0.3	(33.3)	1.2	1.9
Taxes	(278.2)	(203.0)	37.0	(189.0)	47.2	(1,049.5)	(956.6)
Net income	1,214.8	1,114.5	9.0	952.7	27.5	4,085.2	3,331.2

BALANCE SHEET

ASSETS	102,066.2	101,685.0	0.4
Current assets	18,398.9	17,909.3	2.7
Cash and cash equivalents	5,105.1	5,336.8	(4.3)
Accounts receivable from customers	9,934.2	10,349.6	(4.0)
Provision for doubtful accounts	(1,232.5)	(2,064.3)	(40.3)
Inventories	410.4	603.6	(32.0)
Recoverable taxes	3,027.2	2,521.3	20.1
Escrow deposits and frozen assets	302.4	235.4	28.5
Derivatives transactions	68.9	81.3	(15.3)
Prepaid expenses	343.1	356.5	(3.8)
Other assets	440.1	489.1	(10.0)
Non-Current Assets	83,667.3	83,775.7	(0.1)
Accounts receivable from customers	472.8	484.0	(2.3)
Provision for doubtful accounts	(167.4)	(153.6)	9.0
Financial Investments	78.2	109.9	(28.8)
Recoverable taxes	476.9	409.6	16.4
Deffered taxes	27.5	711.5	(96.1)
Escrow deposits and frozen assets	6,049.1	5,518.1	9.6
Derivatives transactions	144.1	417.6	(65.5)
Other assets	92.0	93.5	(1.6)
Investments	85.7	101.2	(15.3)
Property, plant and equipment, net	31,924.9	30,476.7	4.8
Intangible assets, net	44,483.5	45,607.2	(2.5)
LIABILITIES	102,066.2	101,685.0	0.4
Current liabilities	20,438.5	17,981.7	13.7
Payroll and related charges	760.6	698.8	8.8
Suppliers and accounts payable	7,611.2	8,373.2	(9.1)
Taxes	1,770.7	1,716.0	3.2
Loans and financing	2,543.0	2,222.1	14.4
Debentures	2,120.5	120.9	1,653.9
Dividends and interest on shareholders equity	2,195.0	2,209.4	(0.7)
Provisions	1,183.6	914.4	29.4
Derivatives transactions	183.2	151.7	20.8
Deferred revenues	429.9	564.6	(23.9)
Authorization licenses	955.0	456.7	109.1
Other liabilities	685.8	553.9	23.8
Non-Current Liabilities	12,383.3	15,136.1	(18.2)

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Payroll and related charges	11.0	19.8	(44.4)
Taxes	49.1	87.0	(43.6)
Suppliers and accounts payable	71.9	67.7	6.2
Loans and financing	3,126.8	4,454.5	(29.8)
Debentures	1,433.8	3,423.8	(58.1)
Provisions	6,625.6	5,890.3	12.5
Derivatives operations	1.4	82.4	(98.3)
Deferred revenues	511.8	359.2	42.5
Lincence of authorization	93.5	496.0	(81.1)
Other liabilities	458.4	255.4	79.5
Shareholders' equity	69,244.4	68,567.2	1.0
Capital Stock	63,571.4	63,571.4	0.0
Premium on acquisition of shareholder interest	0.0	(75.4)	n.a.
Capital Reserve	1,272.5	1,347.9	(5.6)
Profit Reserve	2,475.0	2,410.7	2.7
Additional proposed dividends	1,914.0	1,287.2	48.7
Other comprehensive income	11.5	25.4	(54.7)

CONFERENCE CALL

English

Date: February 22, 2017 (Wednesday)

Time: 11:00 a.m. (Brasilia) and 9:00 a.m. (New York)

Telephone: +1 (412) 317-5493

Access Code: Telefônica Brasil

[Click here to access the webcast.](#)

A replay of the conference call can be accessed, one hour after the event, until March 6, 2017. Telephone: +1 (412) 317-0088 - Code: 10098654#

Telefônica Brasil - Investor Relations

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

SIGNATURE

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

Date: February 21, 2017

TELEFÔNICA BRASIL S.A.
By: /s/ Luis Carlos da Costa Plaster
Name: Luis Carlos da Costa Plaster
Title: Investor Relations Director
