



TELEFÔNICA BRASIL S.A.

Publicly-held Company

CNPJ MF 02.558.157/0001-62 - NIRE 35.3.001.5881-4

## NOTICE TO SHAREHOLDERS

### PAYMENT OF INTEREST ON OWN CAPITAL AND INTERIM DIVIDENDS

#### YEAR 2016

I. The Board of Telefônica Brasil S.A. ("Company") announces to its shareholders, as approved at its meeting held on May 9, 2017, that will start the payment of Interim Dividends and Interest on Own Capital ("IOC") for the fiscal year of 2016, as follows:

**(a) August 22, 2017:** the Company will start the payment of amounts related to IOC deliberated and published through Notices to Shareholders on the dates of the Meetings of the Board of Directors held on February 19, 2016, March 18, 2016, April 18, 2016, June 17, 2016 and September 19, 2016. Such proceeds were ratified and approved by the General Shareholders' Meeting held on April 26, 2017 ("GSM"), as follows:

Proceeds	Deliberation Date	Record Date	Gross Amount per Share (R\$)		Net Amount per Share (R\$)	
			ON	PN*	ON	PN*
IOC	02/19/2016	02/29/2016	0.11107235782	0.12217959361	0.09441150415	0.10385265457
IOC	03/18/2016	03/31/2016	0.18715692294	0.20587261524	0.15908338450	0.17499172295
IOC	04/18/2016	04/29/2016	0.12217959361	0.13439755297	0.10385265457	0.11423792003
IOC	06/17/2016	06/30/2016	0.08941324805	0.09835457285	0.07600126084	0.08360138692
IOC	09/19/2016	09/30/2016	0.36098516294	0.39708367924	0.30683738850	0.33752112735

(\*) 10% higher than the amount granted to each common share, in accordance with article 7 of the Company's Bylaws.

In accordance to the articles 28 of the Company's Bylaws, such Interest on Own Capital were charged to the mandatory minimum dividend for the fiscal year of 2016, *ad referendum* of the General Shareholders' Meeting.

**(b) December 13, 2017:** the Company will start the payment of amounts related to IOC deliberated and published through Notice to Shareholders on the date of the Meeting of the Board of Directors held on December 19, 2016, and Dividends declared at the GSM. Such proceeds were ratified and approved by the GSM, as follows:



## TELEFÔNICA BRASIL S.A.

Publicly-held Company

CNPJ MF 02.558.157/0001-62 - NIRE 35.3.001.5881-4

Proceeds	Deliberation Date	Record Date	Gross Amount per Share (R\$)		Net Amount per Share (R\$)	
			ON	PN*	ON	PN*
IOC	12/19/2016	12/30/2016	0.33551896714	0.36907086385	0.28519112207	0.31371023427
Dividends	04/26/2017	04/26/2017	1.06295487663	1.16925036430	1.06295487663	1.16925036430

(\*) 10% higher than the amount granted to each common share, in accordance with article 7 of the Company's Bylaws.

In accordance to the articles 27 and 28 of the Company's Bylaws, such Dividends and Interest on Own Capital were charged to the mandatory minimum dividend for the fiscal year of 2016, *ad referendum* of the General Shareholders' Meeting.

### II. WITHHOLDING INCOME TAX, ACCORDING TO CURRENT LEGISLATION

#### 1 – Interest on Own Capital

An income tax of 15% is withheld at the source when paying Interest on Own Capital. No income tax will be withheld in the case of immune or exempt legal entities that provide proof of such condition within the established deadline.

#### 2 – Dividends

Dividends are exempt from Income Tax Withholding, according to the Law 9,249/95.

### III. ADDITIONAL INFORMATION:

Dividends not claimed within the period of 03 (three) years after the date of the payment beginning will be forfeited in favor of the Company (Law 6,404 of December 15, 1976, Article 287, II, a).

São Paulo, May 9, 2017.

**David Melcon Sanchez-Friera**

CFO and Investor Relations Officer

Telefônica Brasil – Investor Relations

Tel: +55 11 3430-3687

Email: ir.br@telefonica.com

Information available at: [www.telefonica.com.br/ir](http://www.telefonica.com.br/ir)



TELEFÔNICA BRASIL S.A.

Publicly-held Company

CNPJ MF 02.558.157/0001-62 - NIRE 35.3.001.5881-4