

TELEFÔNICA BRASIL S.A.

Publicly-held Company CNPJ MF 02.558.157/0001-62 - NIRE 35.3.001.5881-4

NOTICE TO SHAREHOLDERS DELIBERATION OF INTEREST ON OWN CAPITAL

Telefônica Brasil S.A. – ("Company") announces to its shareholders that the Board of Directors, at its meeting held on June 19, 2017, deliberated, ad referendum of the General Shareholders' Meeting, the credit of Interest on Own Capital ("IOC"), related to the fiscal year of 2016, in accordance with article 28 of the Company's Bylaws, article 9 of the Law 9,249/95 and CVM's Instruction No. 683/2012, in the gross amount of R\$ 95,000,000.00 (ninety-five million reais), subject to withholding tax of 15%, resulting in a net amount of R\$ 80,750,000.00 (eighty million, seven hundred and fifty thousand reais), based on the net profit shown in the balance sheet of May 31, 2017. The estimated value per share is described in the table below:

Amount per share (R\$)	Immune or Exempt Legal Entities (gross value)	Withholding tax (15%)	Taxed Legal Entities and Individuals (Net value)
Common shares	0.05275935723	0.00791390358	0.04484545365
Preferred shares (*)	0.05803529296	0.00870529395	0.04932999901

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

In accordance to the article 28 of the Company's Bylaws, such Interest on Own Capital will be charged to the mandatory minimum dividend for the fiscal year of 2017, ad referendum of the General Shareholders' Meeting to be held in 2018.

The credit of Interest on Own Capital will be made on individual basis for each shareholder, in accordance to the shareholder registry book position by the end of June 30, 2017. After this date, the shares will be considered as "ex-Interest on Own Capital". The payment of these proceeds will be carried out before the end of the fiscal year of 2018, in a date to be defined by the Company's Board.

The Immune or Exempt Legal Entities, according to the current legislation, must provide proof of such condition until July 5, 2017 to the "Departamento de Ações e Custódia" of Banco



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Bradesco S.A., the depositary bank, located at Cidade de Deus, s/n, Amarelo Velho Building, sub-solo – Vila Yara – Zip Code: 06029-900 – Osasco – SP.

Note: Values of Interest on Capital per common and preferred share may suffer future adjustments until June 30, 2017, due to possible acquisitions of shares within the Program for the Buyback of Shares to be held in treasury for subsequent sale and/or cancellation, according to Material Fact of June 9, 2017.

São Paulo, June 19, 2017.

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