

Corporate Presentation



**Telefônica Brasil S.A.
Investor Relations**

June, 2019 >

Telefônica

vivo





Revenues

 Gradual revenue improvement driven by **price increases and expressive fiber growth**

EBITDA

 Continued EBITDA expansion as a result of **efficient cost control and digitalization**

Cash

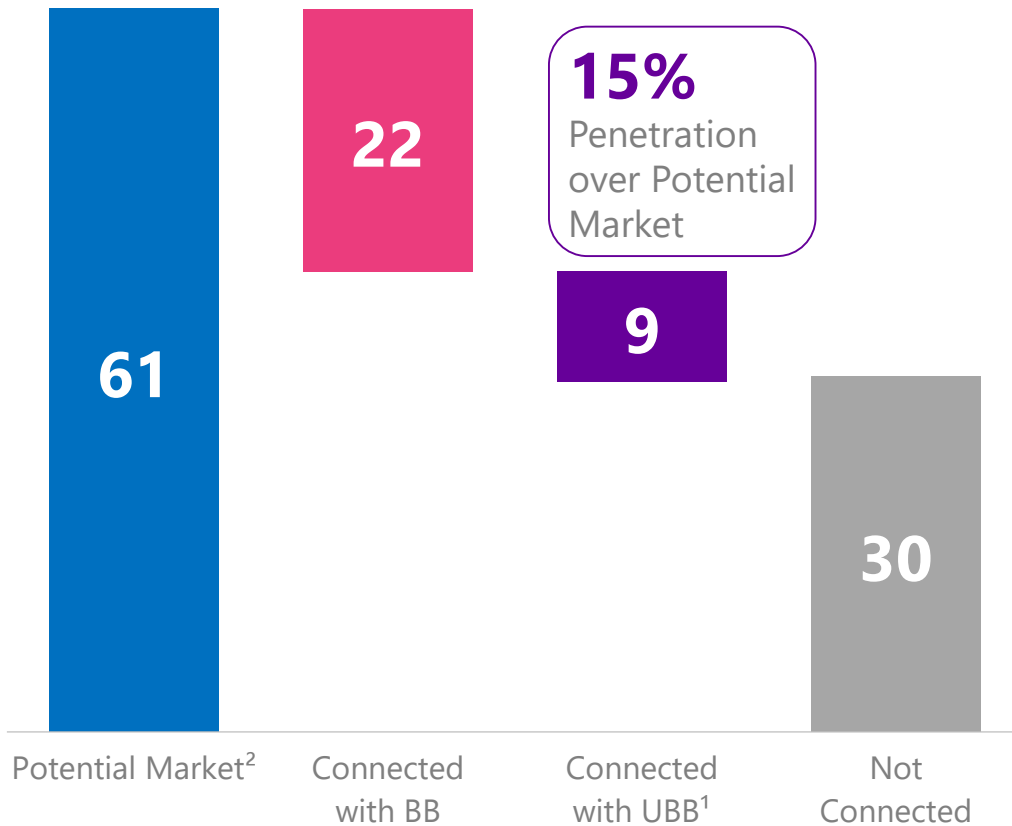
 **Double-digit growth of FCF** even with higher investments benefited by tax gains

Remuneration

 Unmatched shareholder remuneration, producing one of the **highest dividend yields in Brazil**

REMARKABLE UBB OPPORTUNITY IN BRAZIL, AS PENETRATION IS STILL LOW AND DEMAND CONTINUES TO RISE

Penetration of UBB¹ in Brazil remains very low... >>>

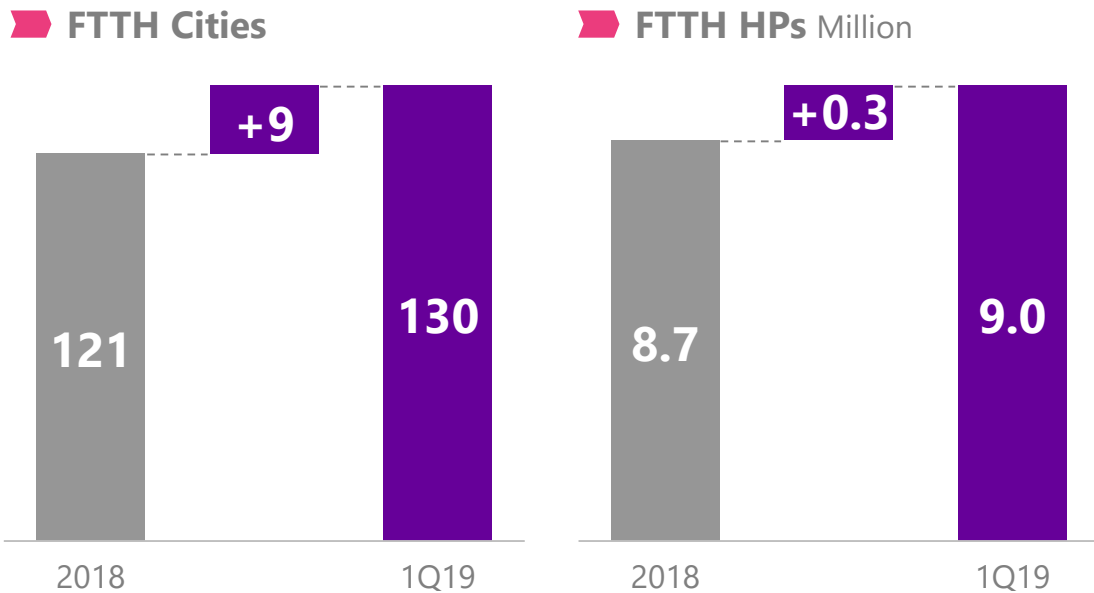


...especially in smaller cities, demonstrating there is a lot of space for the opportunity to be captured >>>

UBB in Brazilian Cities	UBB Penetration (Households)	UBB Growth (Households)
43 cities <ul style="list-style-type: none"> > 500 thousand pop. 21.7 MM households 14.6 MM accesses 	23%	70%
268 cities <ul style="list-style-type: none"> 100 to 500 thousand pop. 18.2 MM households 9.7 MM accesses 	13%	123%
352 cities <ul style="list-style-type: none"> 50 a 100 thousand pop. 8.0 MM households 2.6 MM accesses 	3%	155%
4,907 cities <ul style="list-style-type: none"> < 50 thousand pop. 21.5 MM households 4.3 MM accesses 	1%	386%

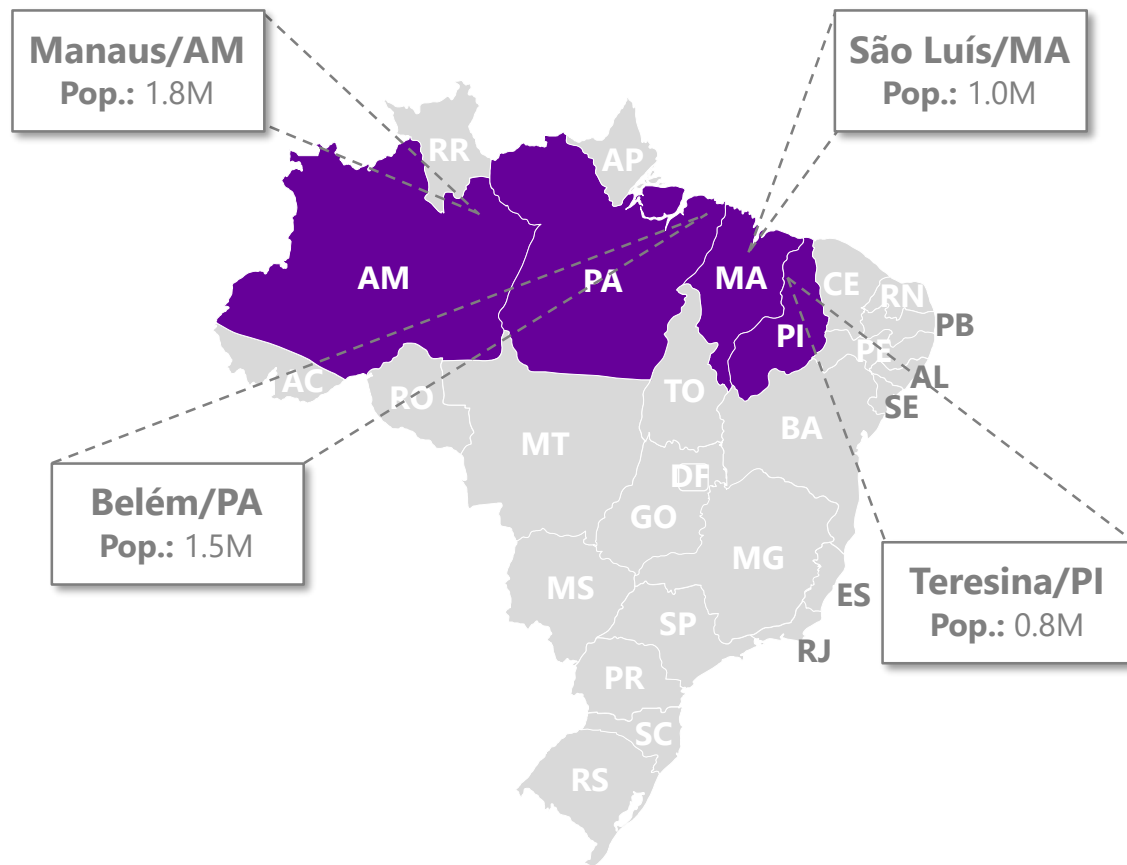
ACCELERATED FIBER EXPANSION, LAUNCHING 9 NEW CITIES IN 1Q19 AND REACHING NEW REGIONS OF BRAZIL

Strong presence throughout Brazil, already delivering >300k HPs and 9 new cities in 1Q19 >>>



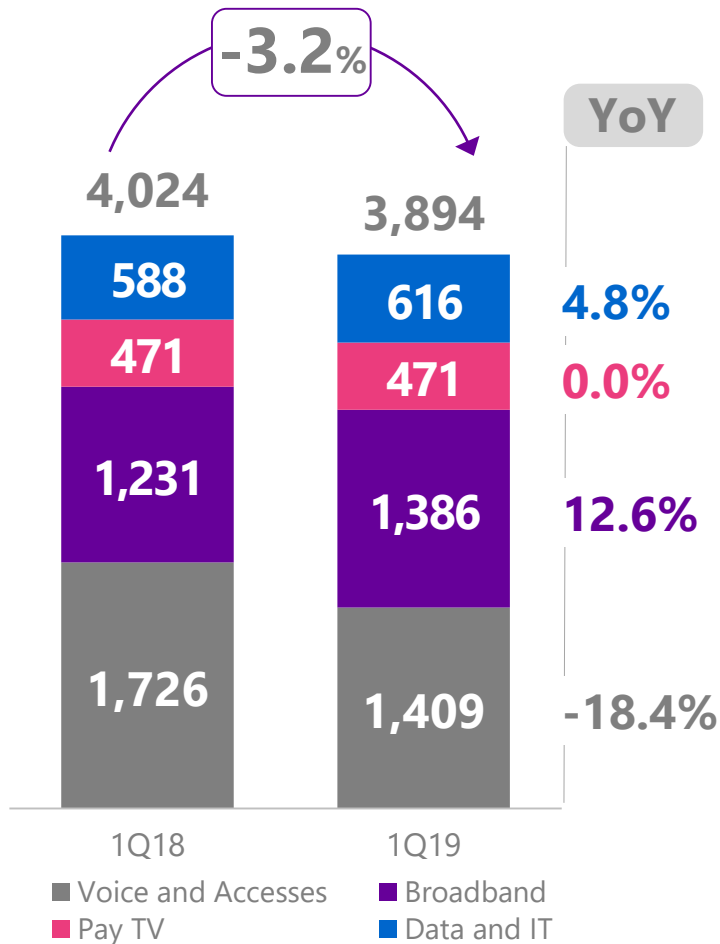
- Cities launched in 1Q19**
- > Boituva/SP
 - > Cabedelo/PB
 - > Catanduva/SP
 - > Mafra/SC
 - > Santa Maria/RS
 - > São Bento do Sul/SC
 - > São José do Rio Pardo/SP
 - > Varginha/MG
 - > Vitória/ES

Expanding our presence to northern regions of Brazil, entering untapped high-potential capitals >>>



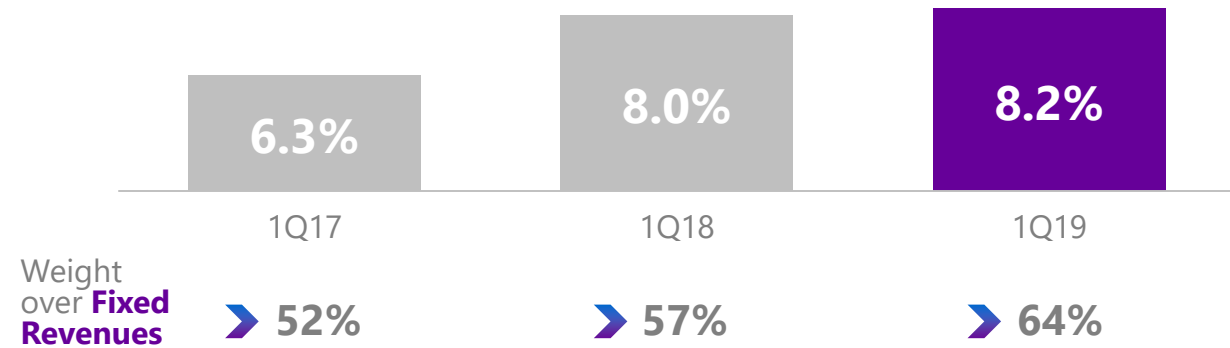
TRANSFORMATION OF FIXED REVENUE MIX UNDERWAY, BENEFITED BY OUTPERFORMING FIBER-RELATED REVENUES

Fixed Revenues¹ R\$ Million >>>



Transforming the fixed revenue mix >>>

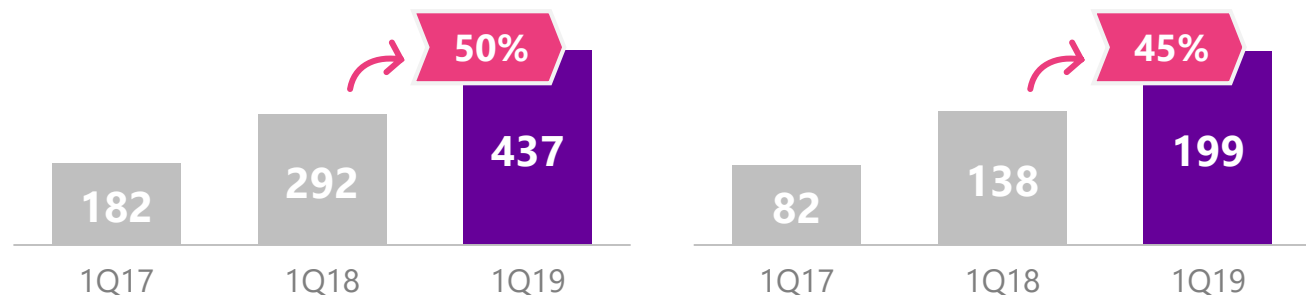
Fixed Revenues ex-Voice YoY%



FTTH + IPTV revenues already representing 16.3% of fixed revenues, with a CAGR 17-19 of 55.2% >>>

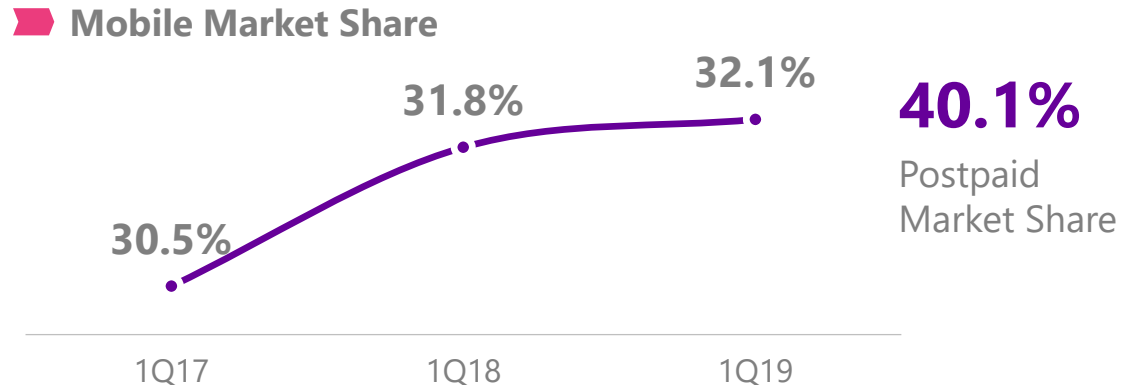
FTTH Revenue R\$ million and YoY%

IPTV Revenue R\$ million and YoY%

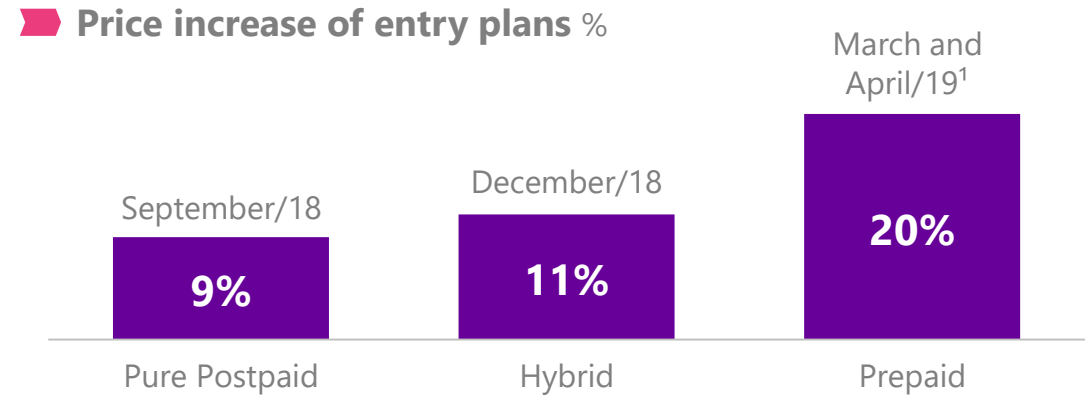


➤ IN MOBILE, RATIONAL PRICING STRATEGY LEADING TO ARPU INCREASE, WITH LIMITED IMPACT ON CHURN

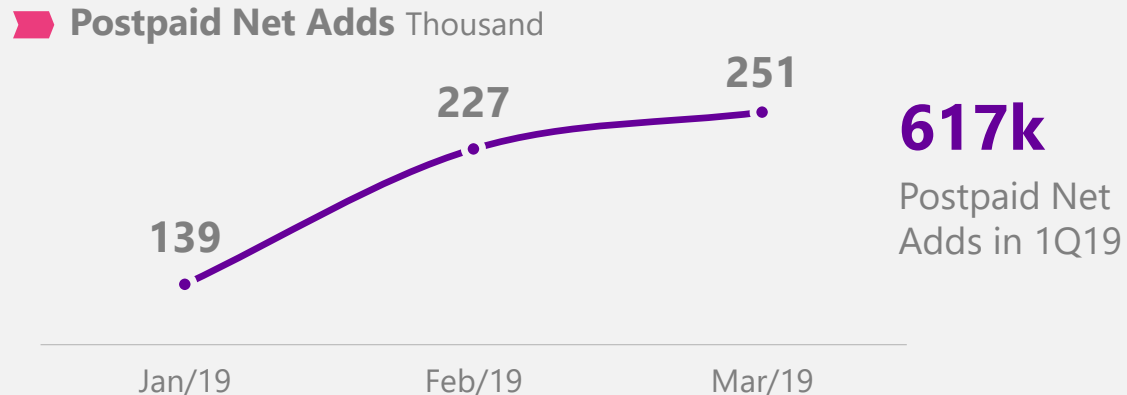
Undisputed mobile leadership with expanding market share >>>



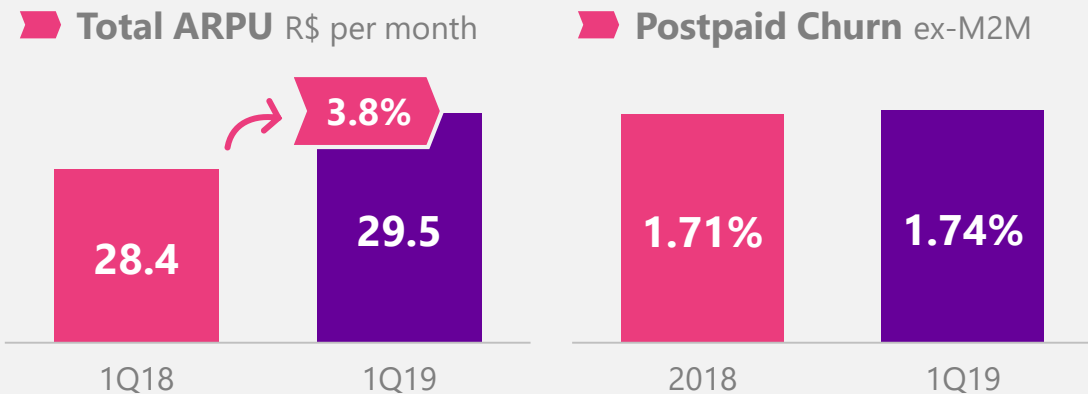
...as an isolated effect of the price increase carried out for hybrid customers... >>>



In 1Q19, we had a softer volume of postpaid net adds, with recent improving trends... >>>

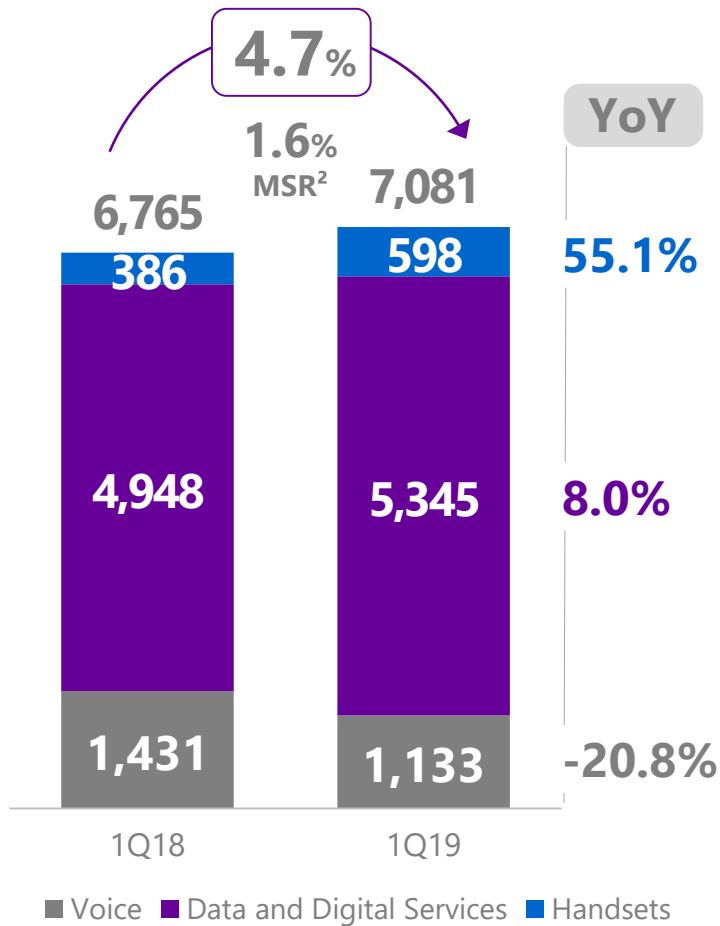


...that contributed to an ARPU expansion with limited impact on churn >>>



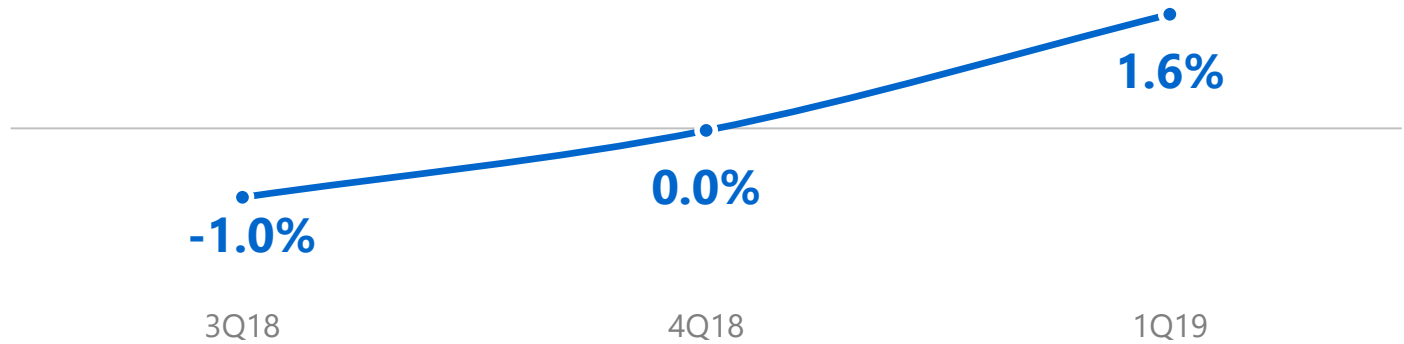
IMPROVED MOBILE REVENUES GROWTH WITH RECOVERING MSR AND CONTINUED EXPANSION OF HANDSET SALES

Mobile Revenues¹ R\$ Million >>>

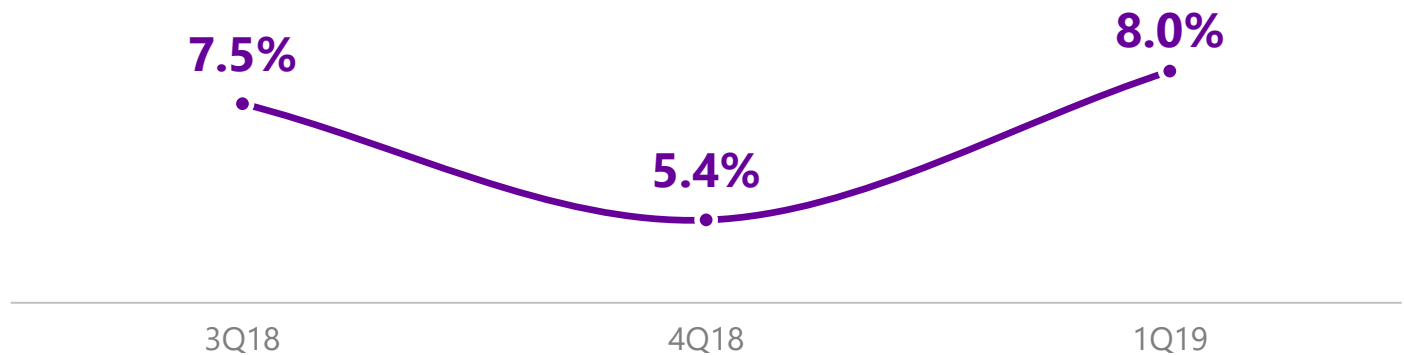


MSR improving over the last quarters with strong postpaid growth >>>

Mobile Service Revenue Growth YoY%



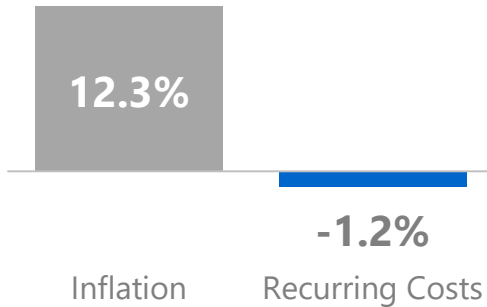
Human Postpaid Revenue Growth YoY%



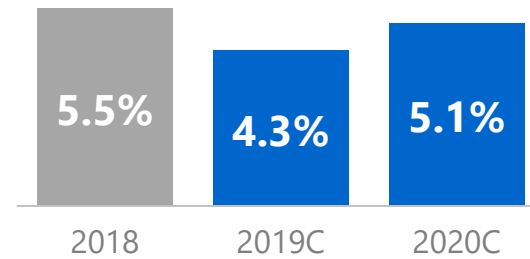
DIGITALIZATION AND SMART CAPEX ALLOCATION TO CONTINUE TO IMPROVE EBITDA AND OPCF MARGINS

EBITDA expansion due to cost control through digitalization and simplification >>>

Recurring Costs Performance
1Q19 vs. 1Q16

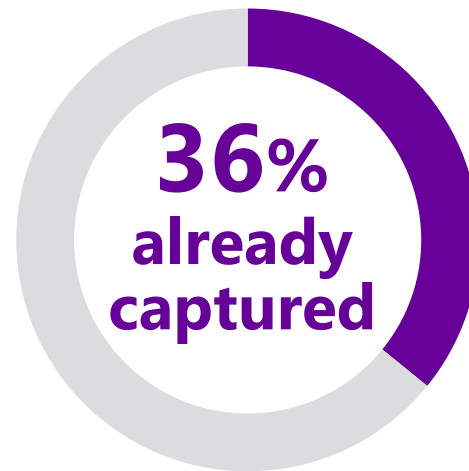


EBITDA Growth %
Real and Consensus



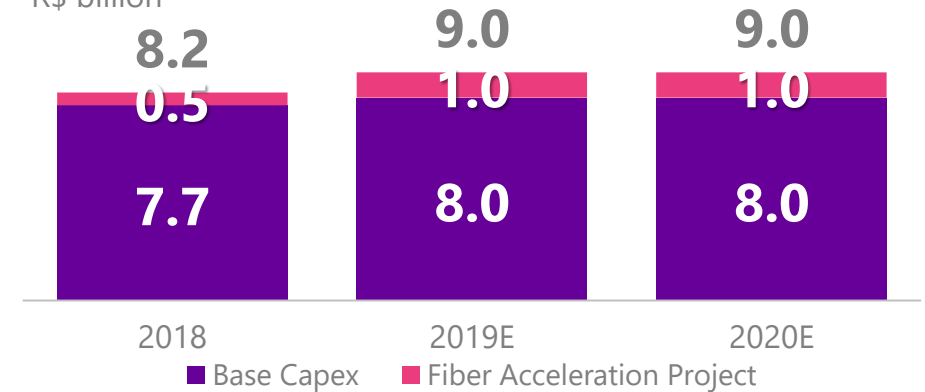
Digitalization Development

R\$1.6bn
annual Opex savings by 2021¹
arising from digitalization



Investments focused on cutting-edge technologies, improving returns and customer experience >>>

Capex
R\$ billion



Smart Capex allocation led to savings in 2018

Reducing investments in legacy technologies (2G, 3G, Copper and DTH)

R\$7 billion in 3 years to be invested in **FTTH expansion**

Robust investment in 4G/4.5G focused on enhancing quality

R\$3 billion in 3 years to be invested in **transforming our IT platform**

➤ IN 2018, WE REGISTERED A **NEW TAX ASSET OF R\$6.2 BN** RELATED TO CONTRIBUTIONS OF PIS/COFINS OVER ICMS MADE BY TELESP AND VIVO

Impact from decisions for TELESP and Vivo on income statement and balance sheet >>>

R\$ billion	2Q18: TELESP (2003-2014)	3Q18: Vivo (2004-2013)	Total
EBITDA	2.0	1.4	3.4
Financial Result	1.8	1.0	2.8
Tax Asset (Balance Sheet)	3.8	2.4	6.2

Record Net Income registered in 2018 producing unique level of remuneration >>>

Impact on Income Statement in 2Q and 3Q supporting **relevant additional profit in 2018**

Cash effect arising from Federal Tax credits (approx. R\$2 billion/year)

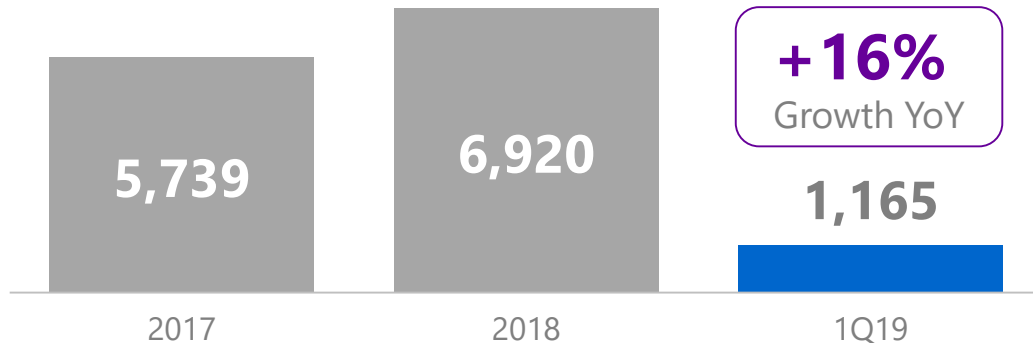
Other processes still waiting for final decisions **could generate extra gains in the future** (R\$1.7 bn to R\$2.2 bn)

Tax assets compensating payments of federal taxes during the next years generating an **incremental source of cash while allowing for stronger shareholder remuneration**

➤ STRONG CASH FLOW GROWTH BOOSTED BY CASH TAX GAINS LEADING TO **HIGH LEVEL OF SHAREHOLDER REMUNERATION**

Free Cash Flow expanding double-digit driven by solid operating performance and tax gains >>>

Free Cash Flow From Business Activities
R\$ million



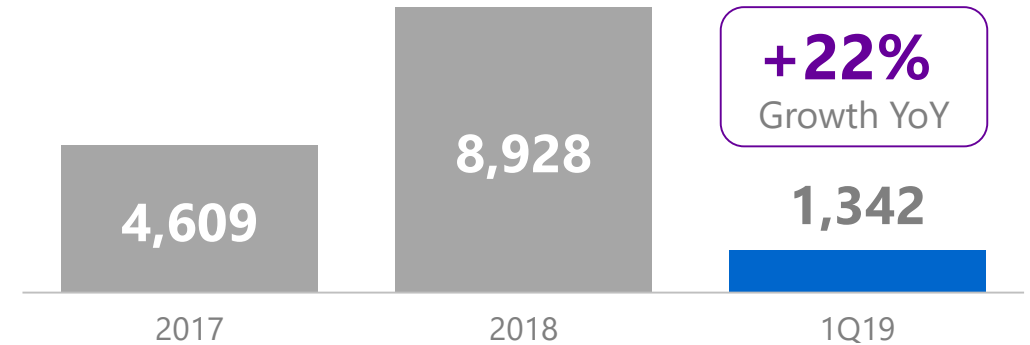
FCF to be boosted by approx. R\$2 billion per year going forward due to tax assets registered in 2Q and 3Q18

Cash tax gains represent **approx. 8% of current market cap**

Extra proceeds more than compensate additional Capex envelope defined for fiber acceleration project (2018-20)

Record Net Income registered in 2018 allowing for unmatched remuneration >>>

Net Income
R\$ million

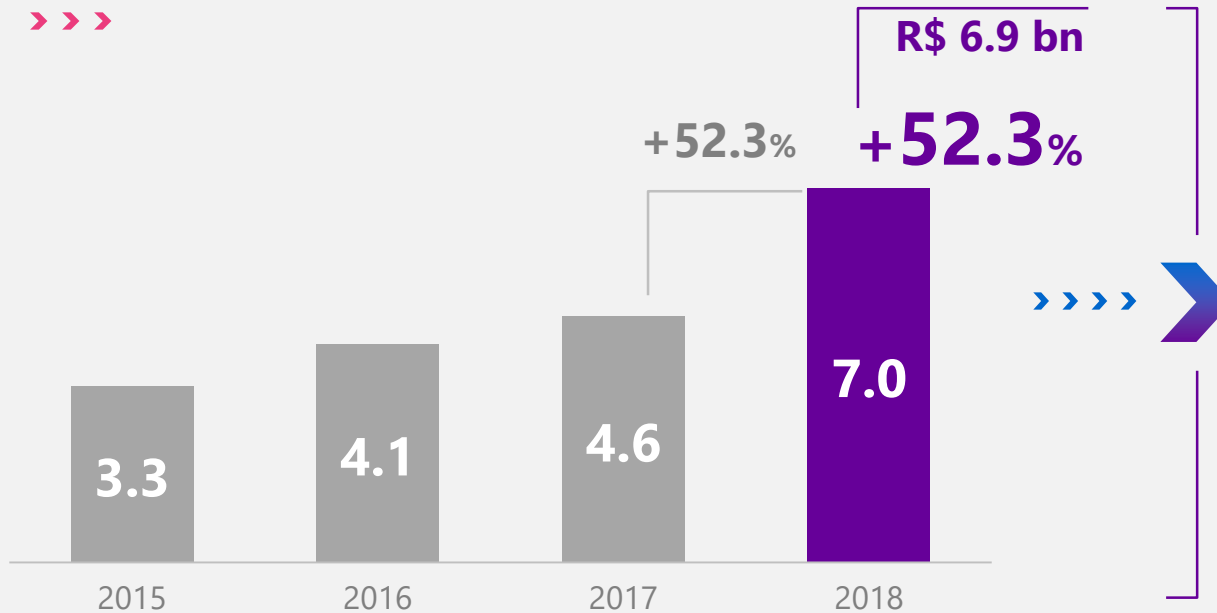


Net Income almost doubled in 2018, driven by continuous cost control, solid EBITDA growth, and the non-recurring effects in the year

R\$7.0 billion of dividends and IOC declared in 2018, plus R\$1.3 billion in IOC already declared in 2019

RECORD **DISTRIBUTION OF DIVIDENDS** AND IOC IN 2018, BOOSTED BY STRONG NET INCOME AND CASH GENERATION

Dividends and IOC deliberations R\$ Billion



Schedule of Payments >>>

Payment Date ²	Gross Amount	R\$/share (PN ³)
Aug 20, 2019	R\$ 3.2 bn	R\$ 1.95
Dec 17, 2019	R\$ 3.8 bn	R\$ 2.33
Total	R\$ 7.0 bn	R\$ 4.28

Payment of R\$ 7.0 billion in dividends + IOC¹
 2019 remuneration is **52% higher YoY**

R\$ 1.3 billion of Interest on Capital already declared based on 2019 financial statements

Telefonica

vivo

For further information:

Investor Relations



+55 11 3430.3687

ir.br@telefonica.com | www.telefonica.com.br/ir

ISEB3
2019

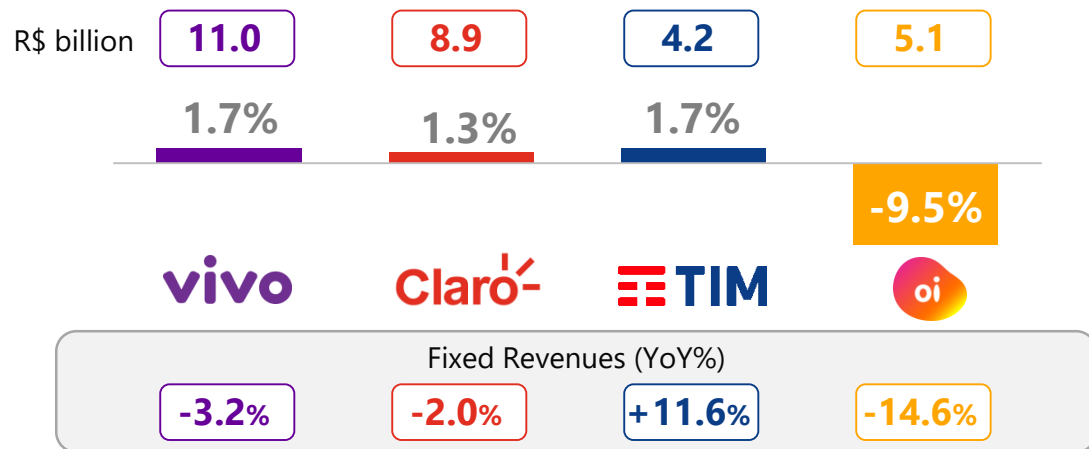
VIV
LISTED
NYSE

[B]³
BRASIL
BOLSA
BALCÃO

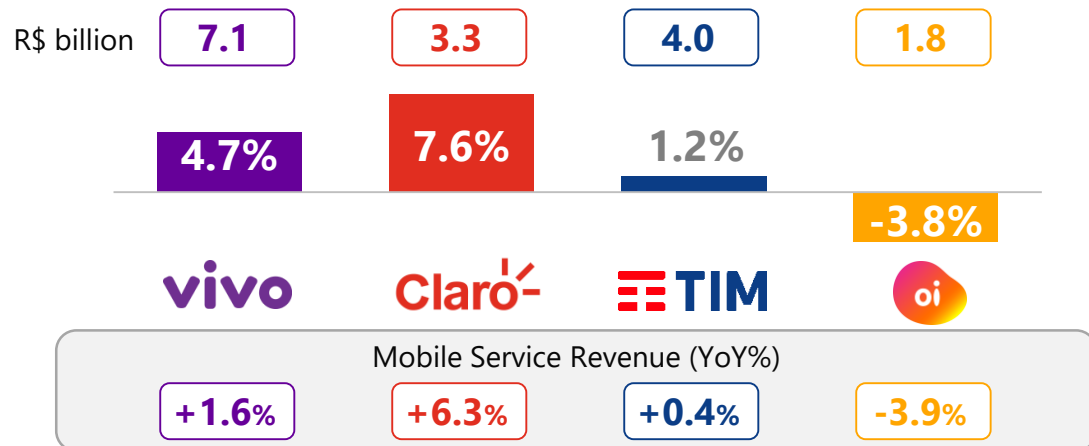


1Q19 RESULTS COMPARATIVE

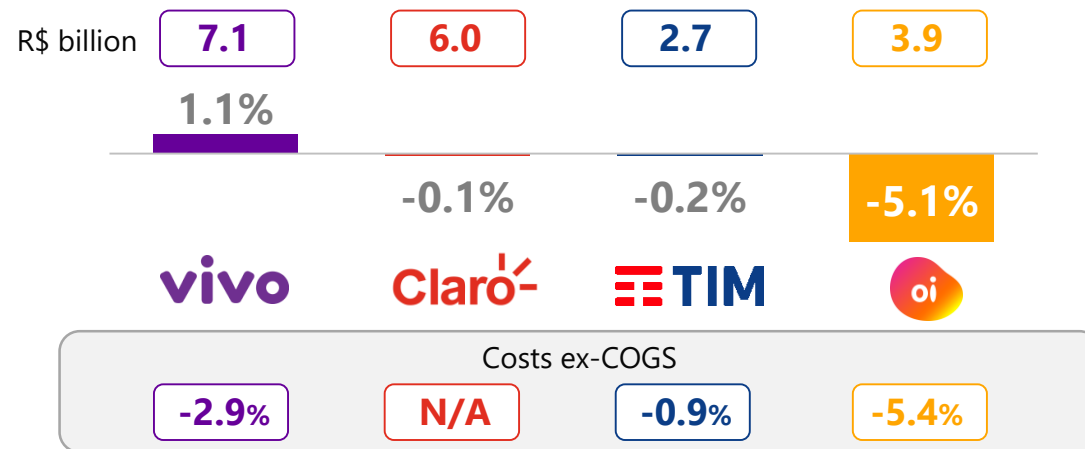
Total Revenues 1Q19 YoY%



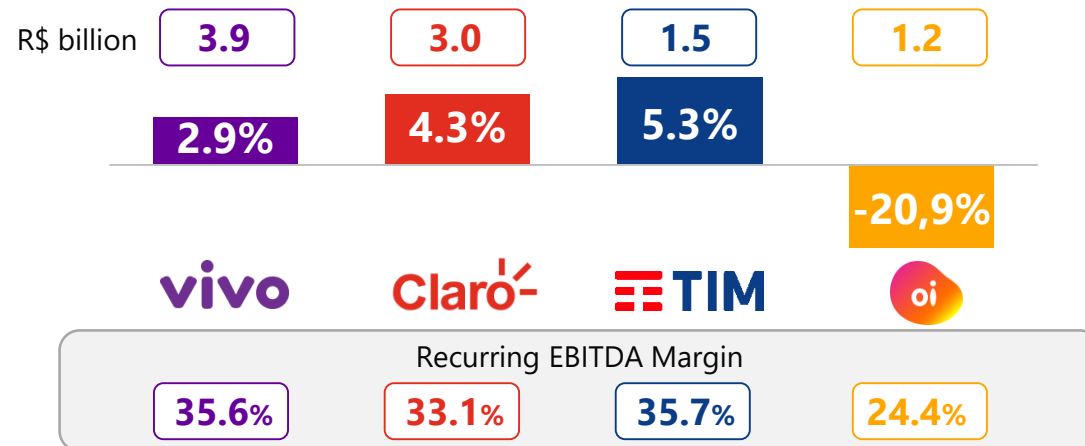
Mobile Revenue 1Q19 YoY%



Recurring Costs 1Q19 YoY%



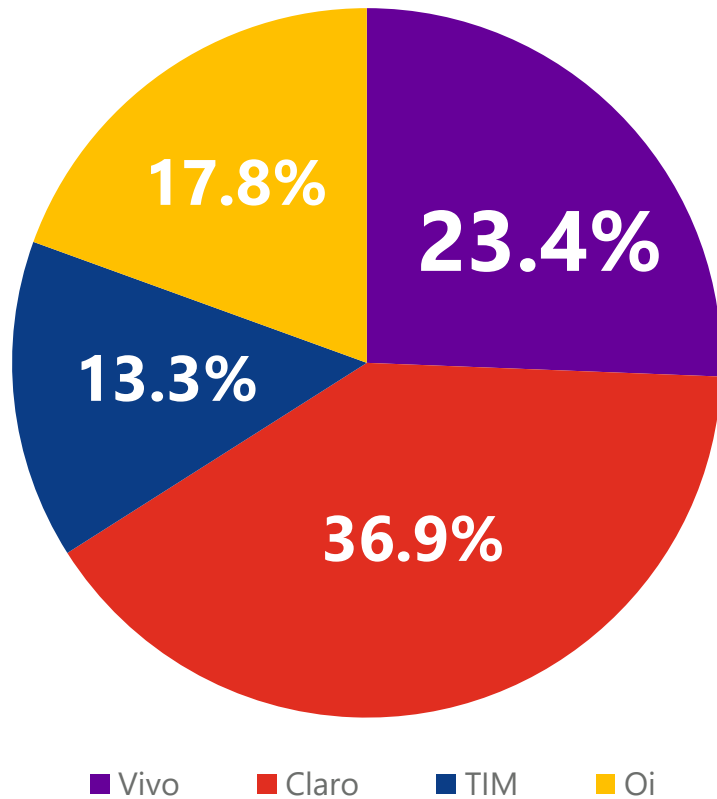
Recurring EBITDA 1Q19 YoY%



DETAILED 1Q19 MOBILE MARKET

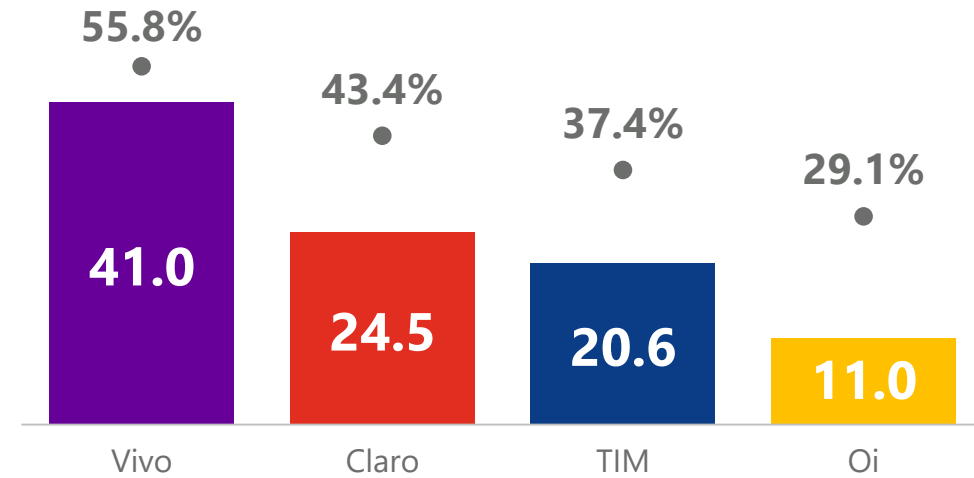
Lower level of net adds in 1Q19 due to price increases, especially in hybrid >>>

Share of postpaid net adds 1Q19

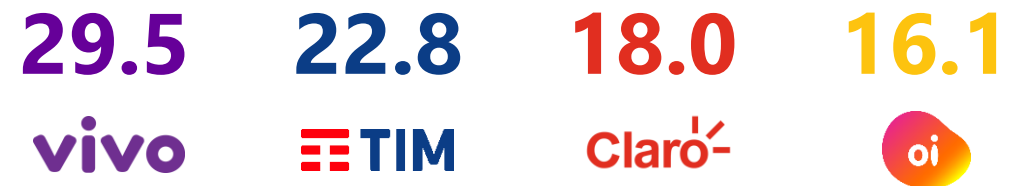


Even so, we remain as undisputed leaders in postpaid, with the best mix and ARPU of the industry >>>

Postpaid customers (million) and mix of postpaid customers



Mobile ARPU 1Q19 R\$



HIGHLIGHTS

Consolidated in R\$ million	Pro forma (ex-IFRS 16) ¹			Reported		
	1Q19	1Q18	Δ% YoY	1Q19	1Q18	Δ% YoY
NET OPERATING REVENUES	10,975	10,789	1.7	10,975	10,789	1.7
Net Mobile Revenues	7,081	6,765	4.7	7,081	6,765	4.7
Net Handsets Revenues	598	386	55.1	598	386	55.1
Net Fixed Revenues	3,894	4,024	(3.2)	3,894	4,024	(3.2)
OPERATING COSTS	(7,072)	(6,995)	1.1	(6,614)	(6,995)	(5.4)
EBITDA	3,903	3,795	2.9	4,360	3,795	14.9
EBITDA MARGIN	35.6%	35.2%	0.4 p.p.	39.7%	35.2%	4.6 p.p.
NET INCOME	1,387	1,098	26.3	1,342	1,098	22.2
CAPEX	1,696	1,547	9.6	1,696	1,547	9.6
OPERATING CASH FLOW (EBITDA - CAPEX)	2,207	2,247	(1.8)	2,665	2,247	18.6
TOTAL SUBSCRIBERS (THOUSAND)	94,994	97,812	(2.9)	94,994	97,812	(2.9)
Mobile Subscribers	73,529	75,098	(2.1)	73,529	75,098	(2.1)
Fixed Subscribers	21,465	22,714	(5.5)	21,465	22,714	(5.5)

1Q19 MOBILE AND FIXED REVENUES

NET OPERATING REVENUES | MOBILE SERVICES

Consolidated in R\$ million	1Q19	1Q18	Δ% YoY	4Q18	Δ% QoQ
NET OPERATING MOBILE REVENUES	7,081	6,765	4.7	7,048	0.5
Net Mobile Service Revenues	6,482	6,379	1.6	6,480	0.0
Data and Digital Services	5,345	4,948	8.0	5,152	3.7
Voice	1,133	1,431	(20.8)	1,327	(14.7)
Others	5	1	702.4	1	334.6
Net Handset Revenues	598	386	55.1	567	5.5

NET OPERATING REVENUES | FIXED SERVICES

Consolidated in R\$ million	1Q19	1Q18	Δ% YoY	4Q18	Δ% QoQ
NET OPERATING FIXED REVENUES	3,894	4,024	(3.2)	4,038	(3.6)
Broadband⁶	1,386	1,231	12.6	1,409	(1.6)
FTTH	437	292	49.6	426	2.6
Other Technologies	949	939	1.1	983	(3.5)
Pay TV	471	471	0.0	494	(4.5)
IPTV	199	138	45.1	200	(0.1)
Other Technologies	272	334	(18.5)	294	(7.5)
Corporate Data and IT	616	588	4.8	618	(0.2)
Fixed Voice	1,409	1,726	(18.4)	1,502	(6.2)
Others	12	7	61.9	15	(19.6)

OPERATING PERFORMANCE | MOBILE SERVICES

Thousand	1Q19	1Q18	Δ% YoY	4Q18	Δ% QoQ
TOTAL SUBSCRIBERS	73,529	75,098	(2.1)	73,160	0.5
Postpaid	41,023	37,499	9.4	40,406	1.5
M2M	8,684	6,674	30.1	8,212	5.7
Prepaid	32,506	37,599	(13.5)	32,754	(0.8)
MARKET SHARE	32.1%	31.8%	0.3 p.p.	31.9%	0.2 p.p.
Postpaid	40.1%	41.4%	(1.3) p.p.	40.6%	(0.4) p.p.
Prepaid	25.7%	25.9%	(0.2) p.p.	25.3%	0.4 p.p.
ARPU (R\$/month)²	29.5	28.4	3.8	29.3	0.7
Postpaid (Human)	53.2	52.4	1.6	52.0	2.2
M2M	2.9	2.6	10.4	2.7	8.9
Prepaid	12.1	12.9	(6.2)	12.6	(4.5)
MONTHLY CHURN	3.2%	3.1%	0.1 p.p.	4.1%	(0.9) p.p.
Postpaid (ex-M2M)	1.7%	1.6%	0.1 p.p.	1.7%	0.1 p.p.
Prepaid	5.0%	4.5%	0.5 p.p.	6.8%	(1.8) p.p.

OPERATING PERFORMANCE | FIXED SERVICES

Thousand	1Q19	1Q18	Δ% YoY	4Q18	Δ% QoQ
TOTAL SUBSCRIBERS	21,465	22,714	(5.5)	22,029	(2.6)
Fixed Broadband	7,386	7,443	(0.8)	7,458	(1.0)
FTTH	2,034	1,412	44.1	1,893	7.5
Other Technologies	5,352	6,031	(11.3)	5,564	(3.8)
Pay TV	1,522	1,591	(4.4)	1,567	(2.9)
IPTV	617	430	43.5	579	6.6
Other Technologies	904	1,161	(22.1)	988	(8.4)
Voice	12,558	13,679	(8.2)	13,005	(3.4)
MARKET SHARE Fixed Broadband	23.9%	25.4%	(6.2)	24.3%	(1.6)
Market Share FTTH	32.1%	38.8%	(17.2)	32.7%	(1.9)
MARKET SHARE Pay TV	8.8%	8.9%	(0.3)	8.9%	(0.7)
Market Share IPTV	80.6%	84.6%	(4.8)	80.1%	0.6
MARKET SHARE Voice	34.0%	34.3%	(0.9)	34.1%	(0.3)
ARPU Broadband (R\$/month)	62.2	55.2	12.7	62.9	(1.0)
ARPU Pay TV (R\$/month)	101.8	99.0	2.8	103.9	(2.0)
ARPU Voice (R\$/month)⁵	35.5	40.8	(12.9)	36.9	(3.7)

1Q19 IFRS INCOME STATEMENT

Consolidated in R\$ million	1Q19	1Q18	Δ% YoY	4Q18	Δ% QoQ
GROSS OPERATING REVENUE	16,683	16,334	2.1	16,787	(0.6)
Gross Operating Mobile Revenue	10,846	10,361	4.7	10,692	1.4
Gross Operating Fixed Revenue	5,837	6,003	(2.8)	6,095	(4.2)
NET OPERATING REVENUE	10,975	10,789	1.7	11,085	(1.0)
Net Operating Mobile Revenue	7,081	6,765	4.7	7,048	0.5
Net Operating Fixed Revenue	3,894	4,024	(3.2)	4,038	(3.6)
OPERATING COSTS	(6,614)	(6,995)	(5.4)	(7,039)	(6.0)
Personnel	(904)	(959)	(5.8)	(1,034)	(12.6)
Costs of Services Rendered	(2,450)	(2,777)	(11.8)	(2,825)	(13.3)
Interconnection	(305)	(284)	7.4	(302)	1.2
Taxes and Contributions	(409)	(414)	(1.1)	(380)	7.6
Third-party Services	(1,379)	(1,369)	0.7	(1,320)	4.5
Others	(356)	(710)	(49.9)	(824)	(56.8)
Cost of Goods Sold	(754)	(484)	55.7	(735)	2.6
Commercial Expenses	(2,216)	(2,228)	(0.5)	(2,184)	1.5
Provision for Bad Debt	(426)	(398)	7.0	(365)	16.8
Third-party Services	(1,724)	(1,736)	(0.7)	(1,711)	0.7
Others	(66)	(94)	(29.6)	(108)	(38.9)
General and Administrative Expenses	(306)	(374)	(18.2)	(380)	(19.3)
Other Net Operating Revenue (Expenses)	15	(172)	n.a.	119	(87.4)
EBITDA	4,360	3,795	14.9	4,046	7.8
EBITDA Margin %	39.7%	35.2%	4.6 p.p.	36.5%	3.2 p.p.
DEPRECIATION AND AMORTIZATION	(2,588)	(1,998)	29.5	(2,323)	11.4
Depreciation	(1,888)	(1,343)	40.6	(1,661)	13.7
Amortization of Intangibles	(397)	(353)	12.3	(358)	10.7
Others Amortizations	(304)	(302)	0.6	(303)	0.2
EBIT	1,772	1,796	(1.3)	1,724	2.8
FINANCIAL RESULT	(90)	(173)	(48.1)	(125)	(28.3)
GAIN (LOSS) ON INVESTMENTS	(0)	1	n.a.	(1)	(90.0)
Taxes	(340)	(526)	(35.3)	(111)	206.5
NET INCOME	1,342	1,098	22.2	1,487	(9.7)