

# Corporate Presentation



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

August, 2019 >

*Telefônica*

**vivo**





**Revenues**

 Revenue improvement driven by **price increases and expressive fiber growth**

**EBITDA**

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

**Cash**

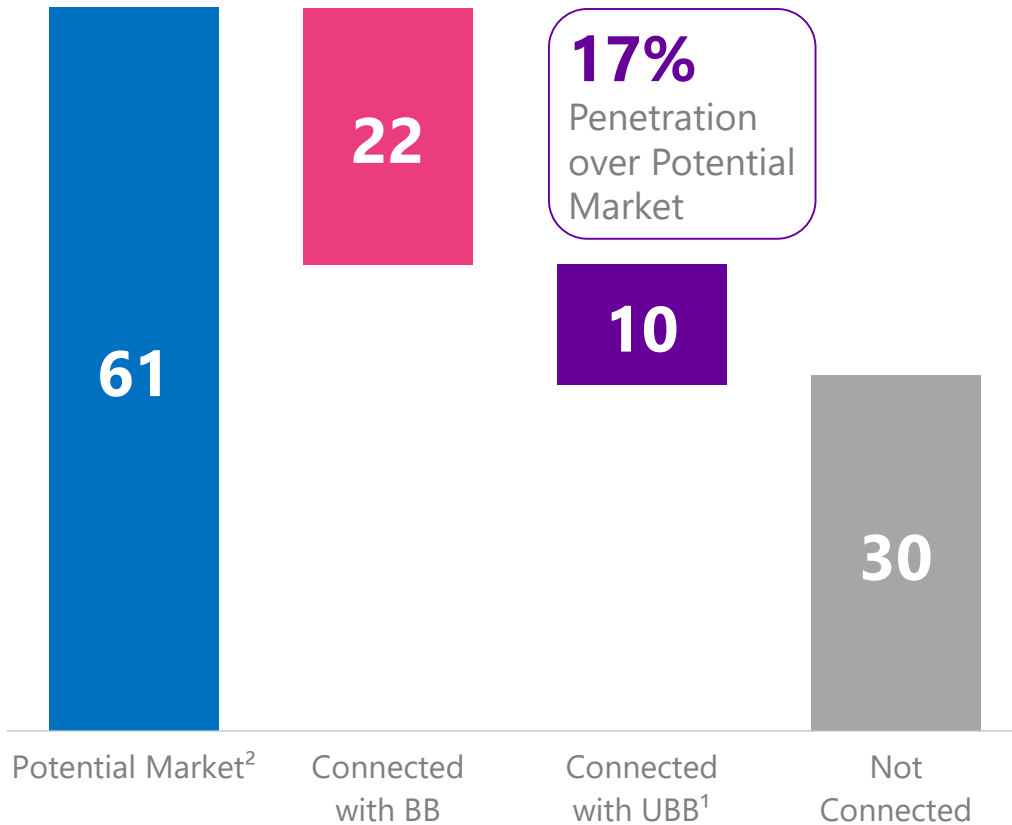
 **Double-digit growth of FCF** even with higher investments, benefited by tax gains

**Remuneration**

 Unmatched shareholder remuneration, resulting in 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 UBB<sup>1</sup> in Brazil remains very low... >>>

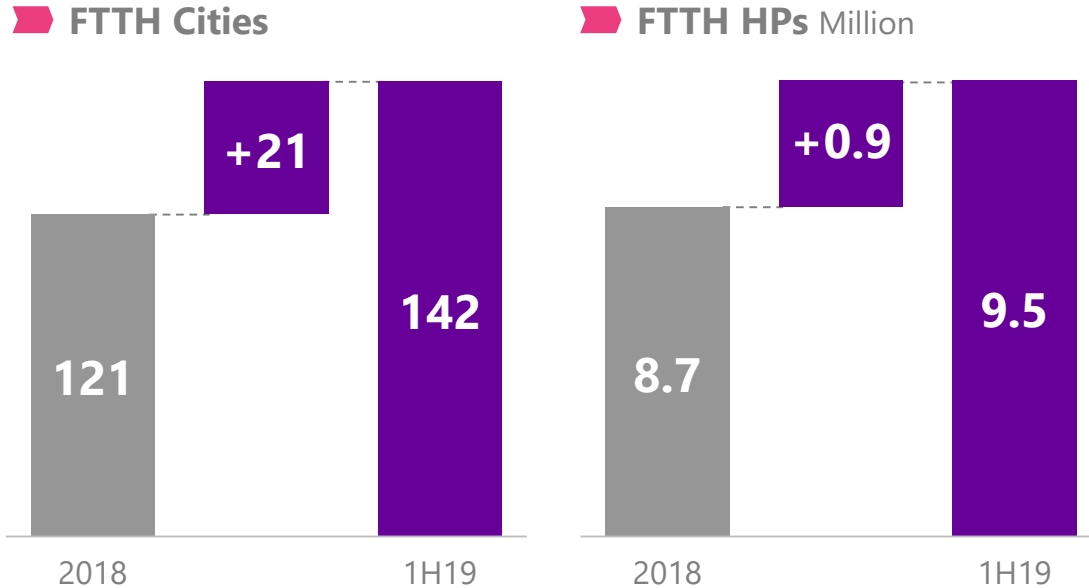


...especially in smaller cities, demonstrating that there is a lot of space for the opportunity to be captured >>>

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

# FAST EXPANSION OF OUR FTTH PRESENCE BOTH IN NEW AND EXISTING CITIES, IMPROVING OUR OVERALL POSITIONING

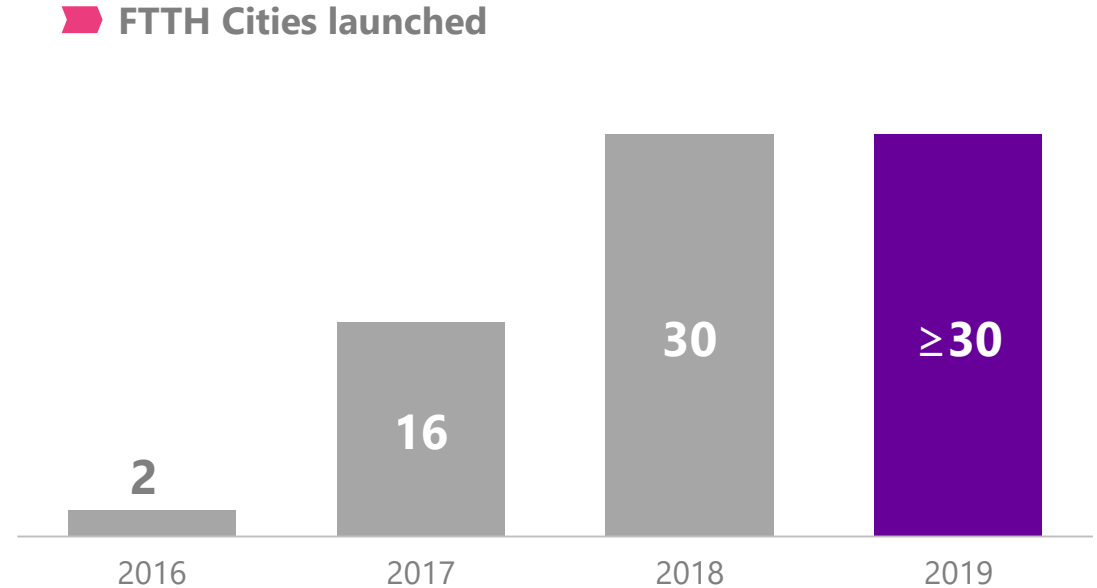
Accelerating our FTTH expansion by delivering 12 new cities in 2Q19 and reaching 9.5 million HPs >>>



**Selectively overlaying FTTH** in the most valuable FTTC footprint (e.g. Curitiba)

**Increased vertical structures deployment** in higher density areas with existing FTTH network to improve penetration (e.g. São Paulo)

Large number of cities to be launched in 2019, in line with our expansion plan >>>

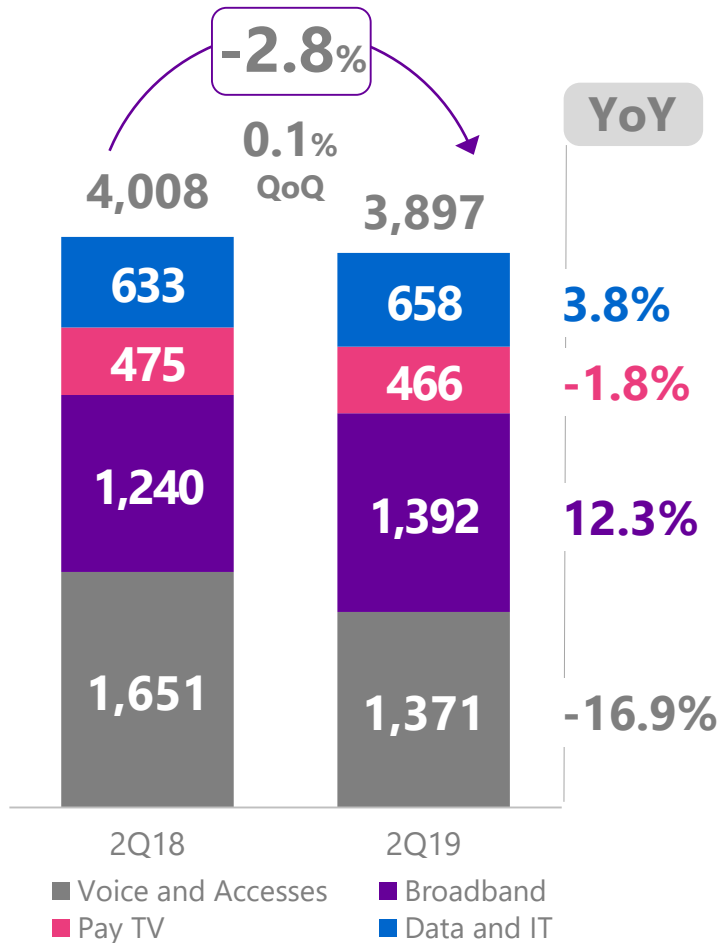


## Cities launched in 2Q19

- > Apucarana/PR
- > Betim/MG
- > Caçapava/SP
- > Campo Mourão/PR
- > Fernandópolis/SP
- > Joinville/SC
- > Lins/SP
- > Maceió/AL
- > Mogi-Guaçu/SP
- > Pindamonhangaba/SP
- > Toledo/PR
- > Uberaba/MG

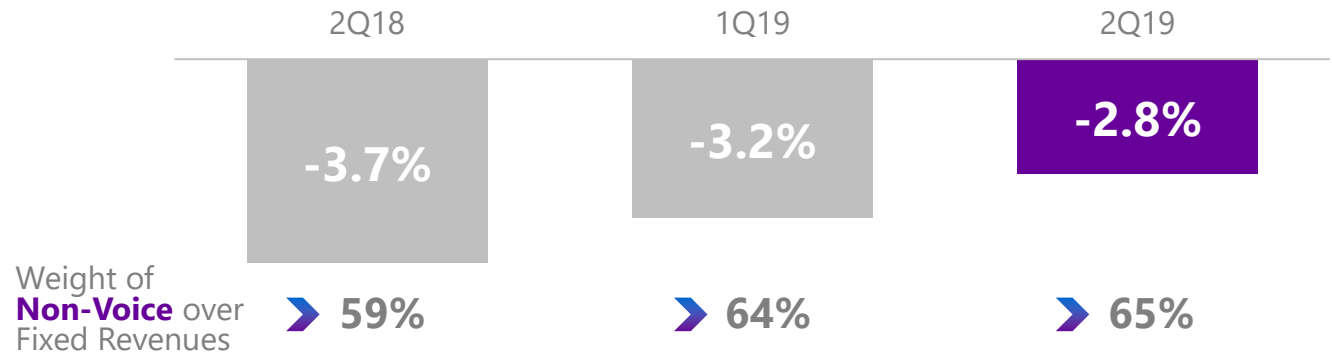
# ➤ FIXED REVENUE GROWING QUARTER OVER QUARTER WITH BROADBAND ALREADY WEIGHING MORE THAN VOICE

Fixed Revenues<sup>1</sup> R\$ Million >>>



## Transformation of fixed revenue mix leading to sequential improvement >>>

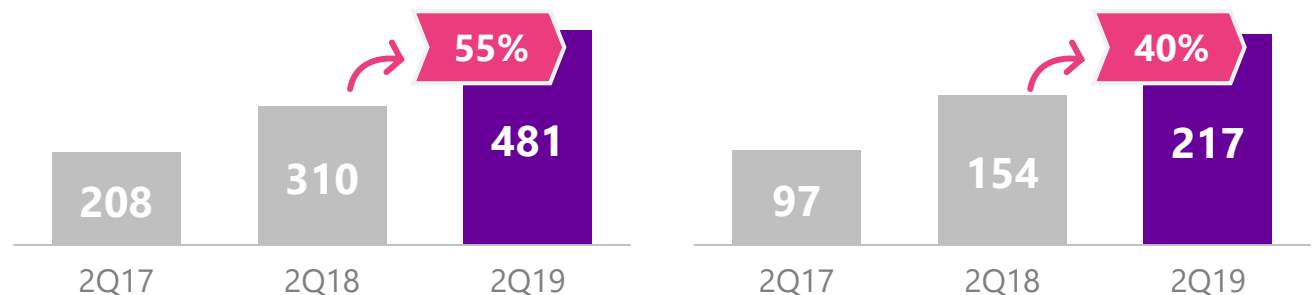
Fixed Revenues YoY%



## FTTH + IPTV revenues already representing 17.9% of fixed revenues, with a CAGR 17-19 of 51.2% >>>

FTTH Revenue R\$ million and YoY%

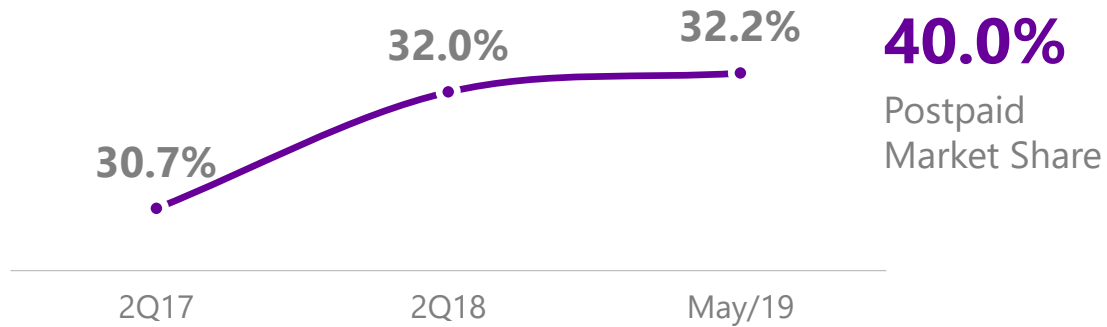
IPTV Revenue R\$ million and YoY%



# UNMATCHED QUALITY OF NETWORK AND SERVICE TRANSLATES INTO MARKET AND ARPU LEADERSHIP

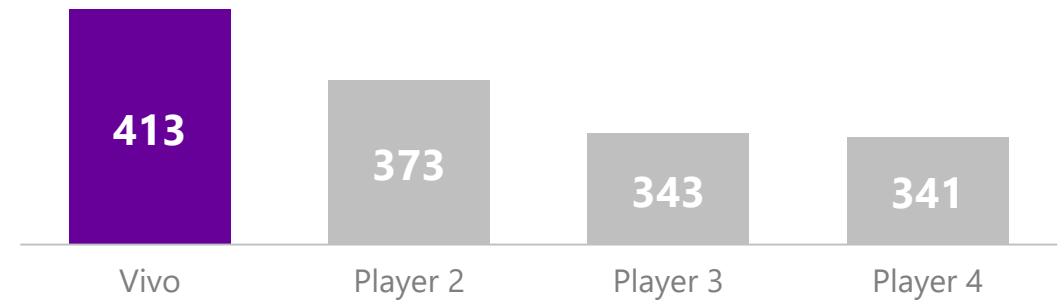
Market share remains on the rise, solidifying our undisputed leadership >>>

Mobile Market Share



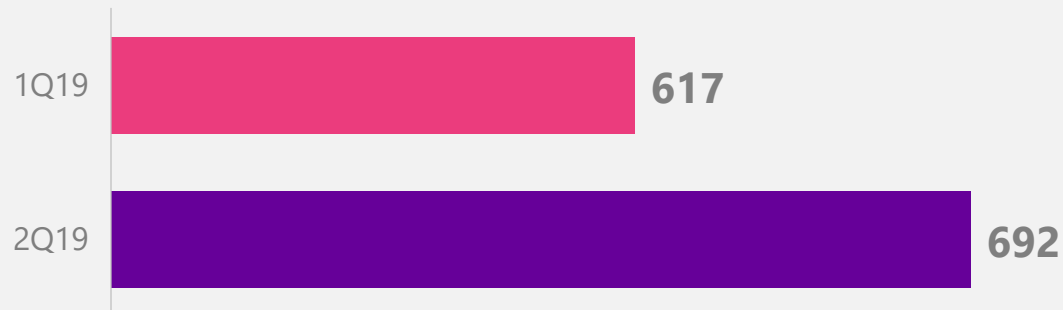
...as Vivo remains the best rated Brazilian network in terms of capacity, coverage and service quality >>>

P3 connect 2019 Mobile Review Brazil Results<sup>1</sup>



Postpaid net adds improving sequentially... >>>

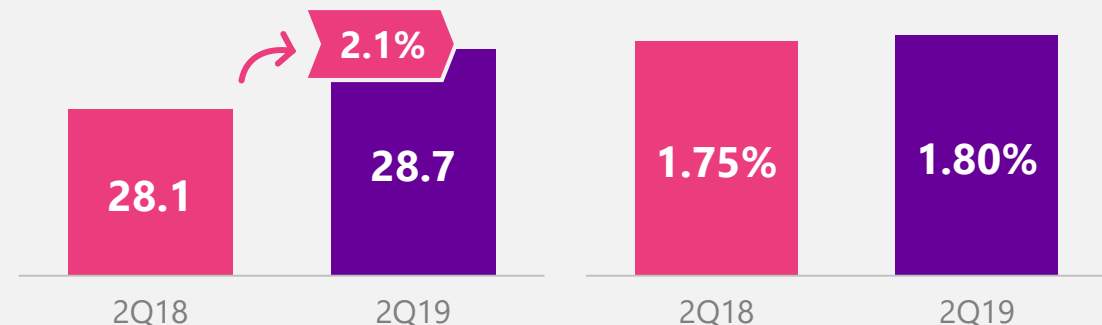
Postpaid Net Adds Thousand



ARPU continues to grow and churn remains stable despite the competitive environment >>>

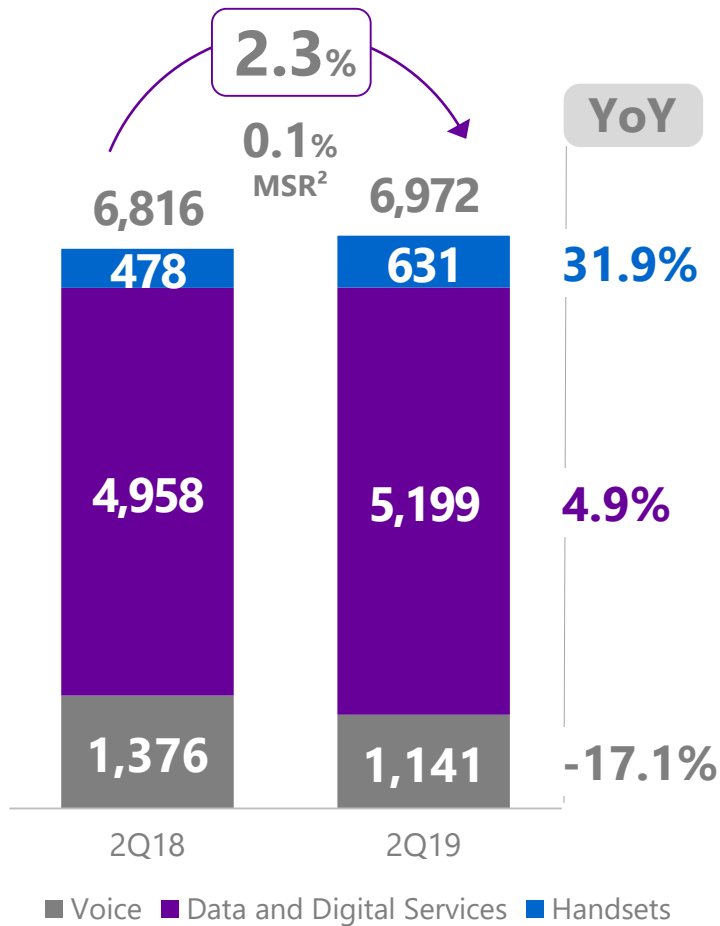
Total ARPU R\$ per month

Postpaid Churn ex-M2M



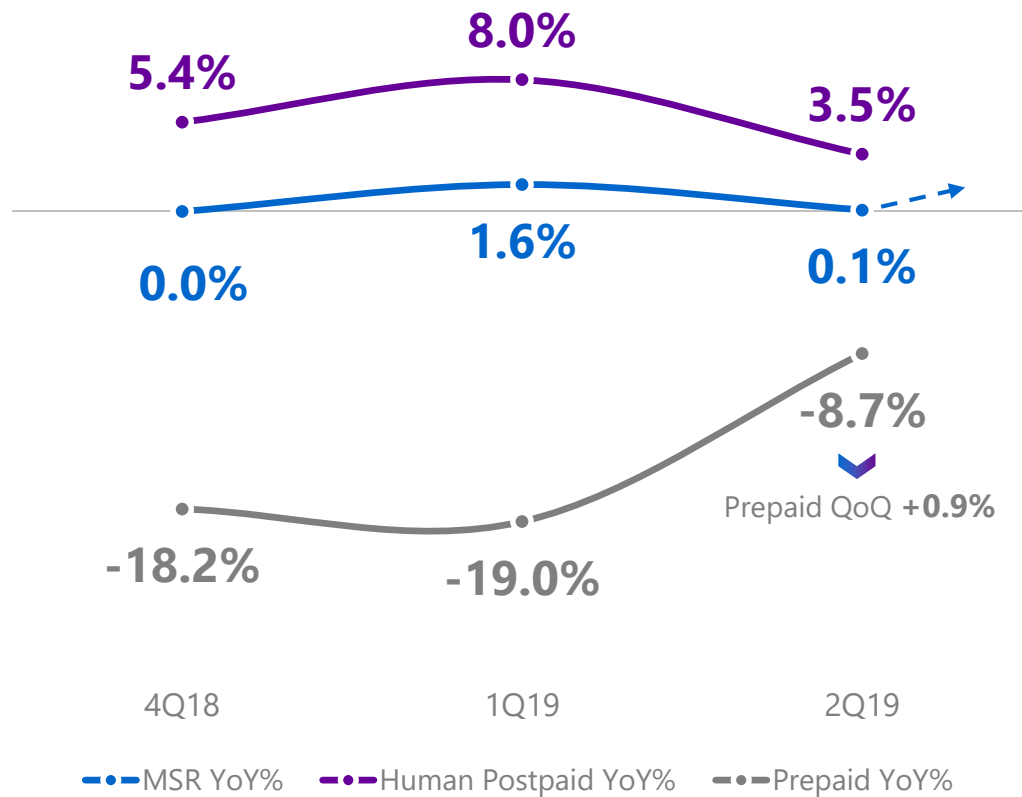
# MOBILE REVENUES GROWTH BENEFITED BY STRONG HANDSET SALES AND IMPROVING PREPAID TRENDS, WITH POSITIVE PERSPECTIVES FOR 2H19

Mobile Revenues<sup>1</sup> R\$ Million >>>



## Sequential improvement in prepaid offset by punctual deceleration in postpaid, with encouraging trends going forward >>>

Mobile Service Revenue Growth YoY%



Human postpaid revenues growing 5.7% YoY in 1H19 mainly due to hybrid price increase in 1Q19

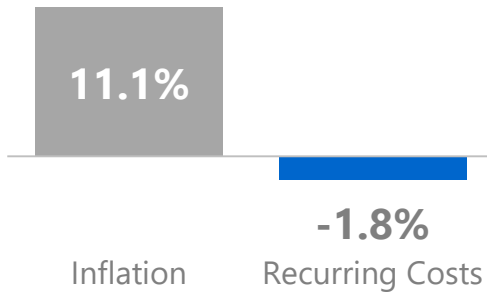
Rational pricing strategy maintained for 2H19 with **postpaid price increase positively impacting 3Q19**

Improvement in prepaid due to better monetization of customer base

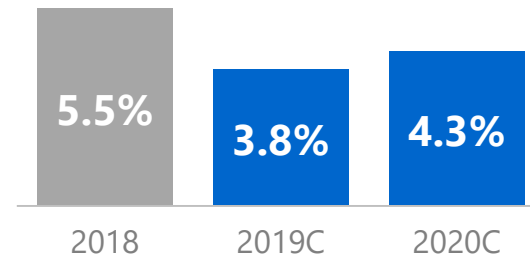
# DIGITALIZATION AND SMART CAPEX ALLOCATION TO CONTINUE TO IMPROVE EBITDA AND OPCF MARGINS

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

### Recurring Costs Performance 2Q19 vs. 2Q16



### EBITDA Growth % Real and Consensus



### Use of AI and e-care apps to unlock further cost savings



**+192%**

Unique AURA Users  
(May/19 vs. Jan/19)

**+220%**

Call Center Calls Retained  
(May/19 vs. Jan/19)

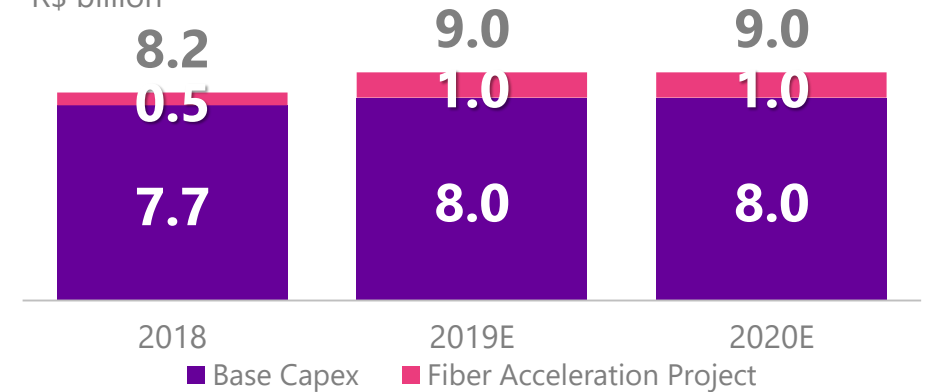


**+62%**

Top-Ups on App  
(May/19 vs. Sep/18)

## 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 **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
<b>EBITDA</b>	<b>2.0</b>	<b>1.4</b>	<b>3.4</b>
<b>Financial Result</b>	<b>1.8</b>	<b>1.0</b>	<b>2.8</b>
<b>Tax Asset (Balance Sheet)</b>	<b>3.8</b>	<b>2.4</b>	<b>6.2</b>

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)

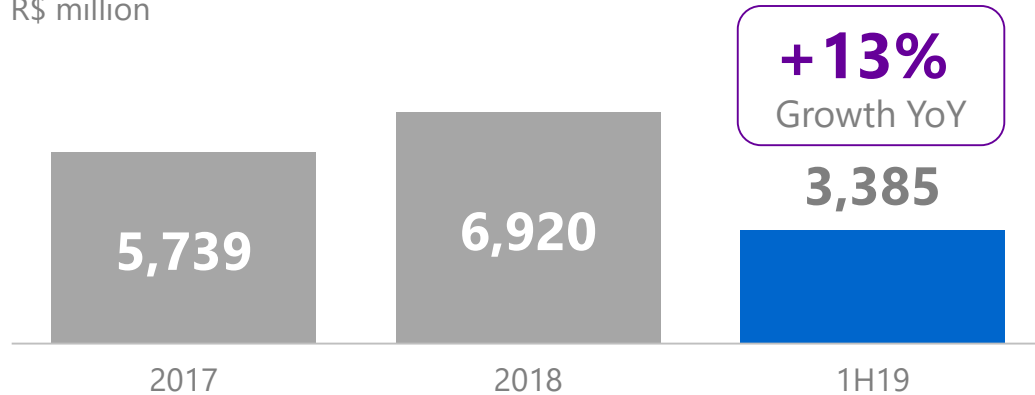
Other processes still waiting for final decisions **could generate extra gains in the future** (R\$1.7 bn to R\$2.2 bn)

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



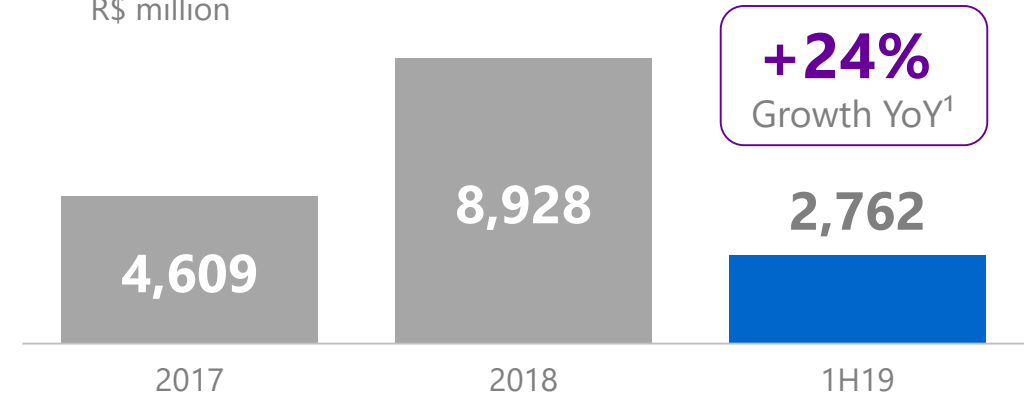
**FCF to be boosted by approx. R\$2 billion per year going forward** due to tax assets registered in 2Q and 3Q18

Cash tax gains represent **approx. 7% 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

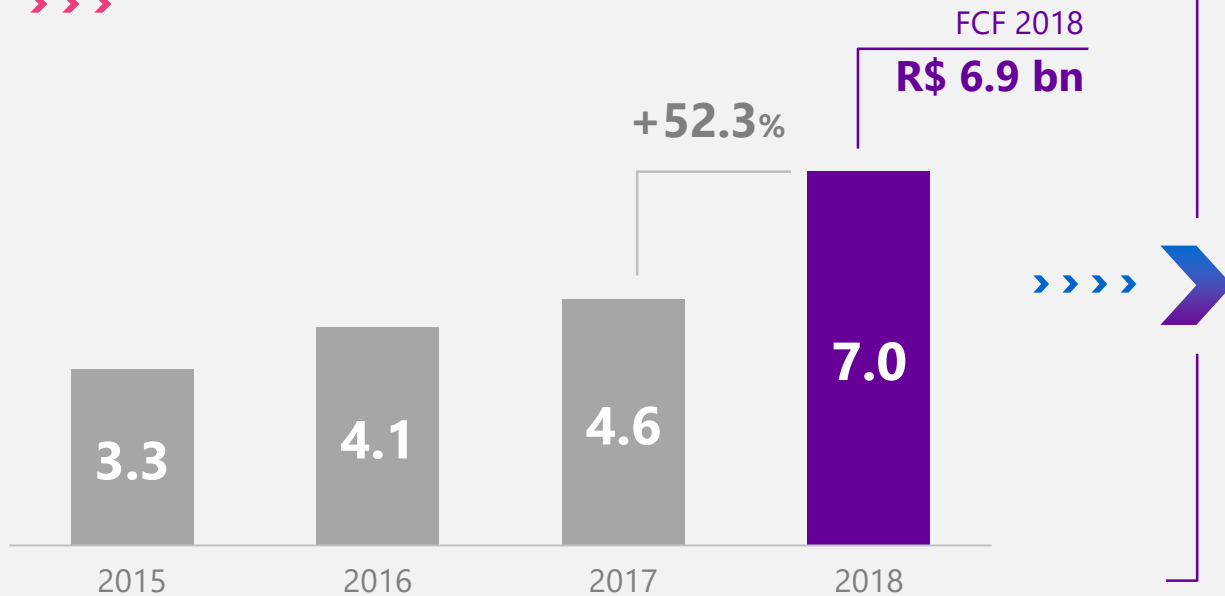


**Net Income almost doubled in 2018**, driven by continuous cost control, solid EBITDA growth, and the non-recurring effects in the year

**R\$7.0 billion of dividends and IOC** declared in 2018, plus R\$2.2 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	Gross Amount	R\$/share (PN <sup>1</sup> )
Aug 20, 2019	R\$ 3.2 bn	R\$ 1.95
Dec 17, 2019	R\$ 3.8 bn	R\$ 2.33
<b>Total</b>	<b>R\$ 7.0 bn</b>	<b>R\$ 4.28</b>

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

➤➤➤➤ **R\$ 2.2 billion** of Interest on Capital already declared based on 2019 financial statements ➤➤➤➤

*Telefonica*

**vivo**

For further information:

## Investor Relations



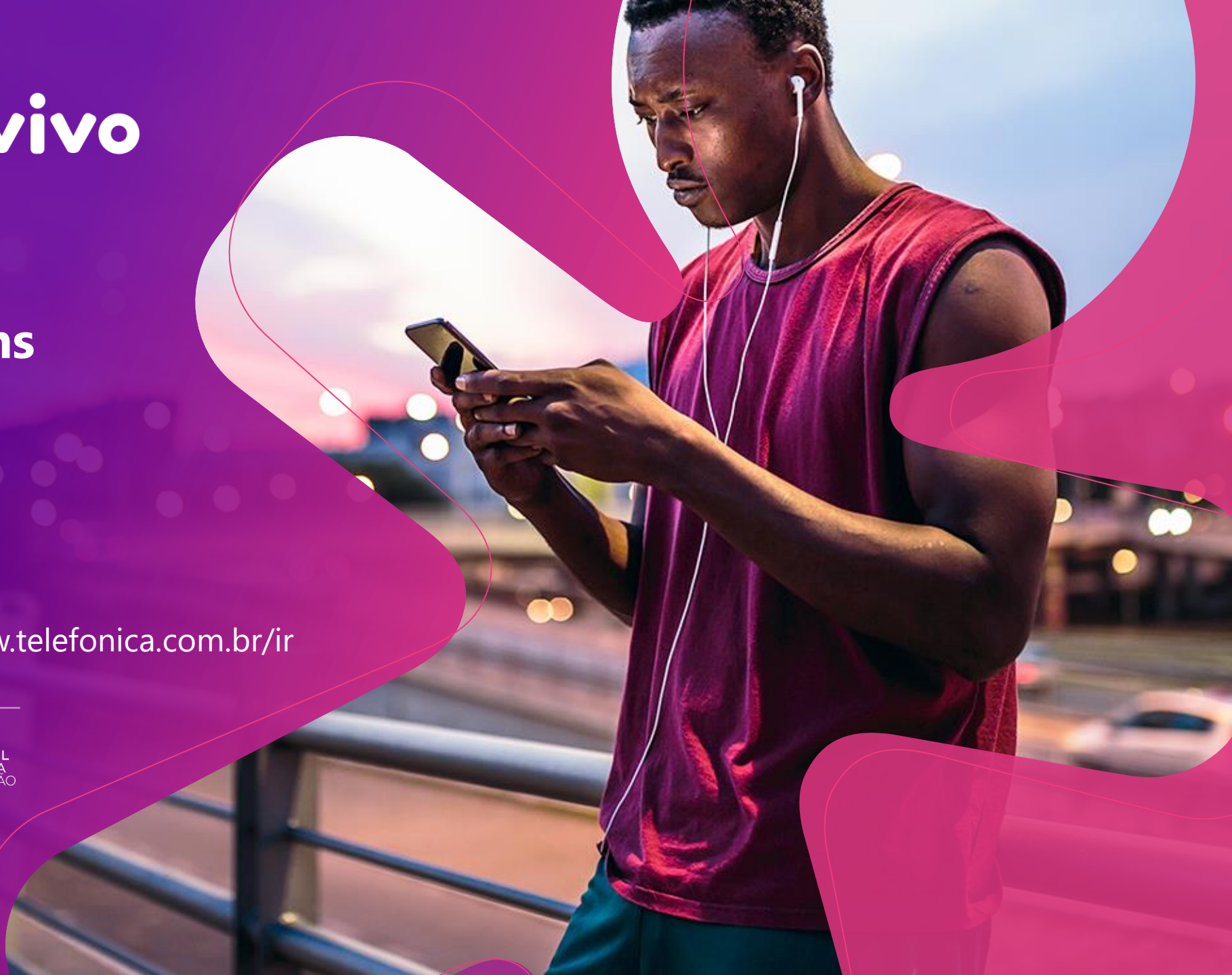
+55 11 3430.3687

ir.br@telefonica.com | [www.telefonica.com.br/ir](http://www.telefonica.com.br/ir)

**ISEB3**  
2019

**VIV**  
**LISTED**  
**NYSE**

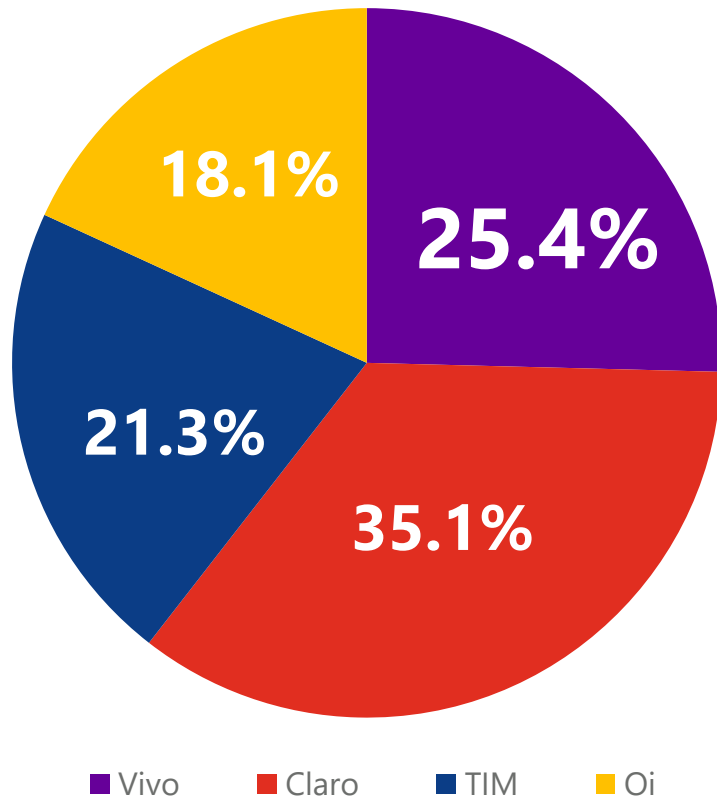
**[B]**<sup>3</sup>  
BRASIL  
BOLSA  
BALCÃO



# DETAILED 2Q19 MOBILE MARKET

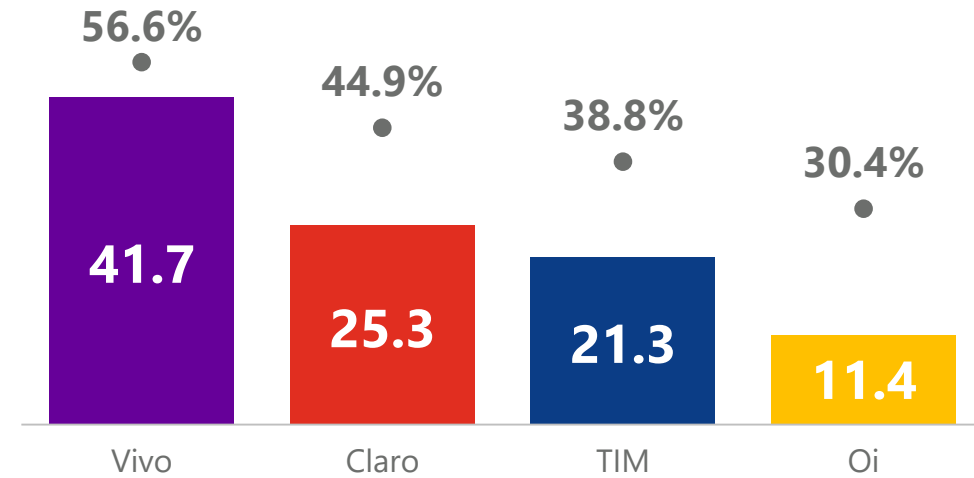
Lower level of net adds YTD due to price increases, especially in hybrid >>>

Share of postpaid net adds 2019 YTD

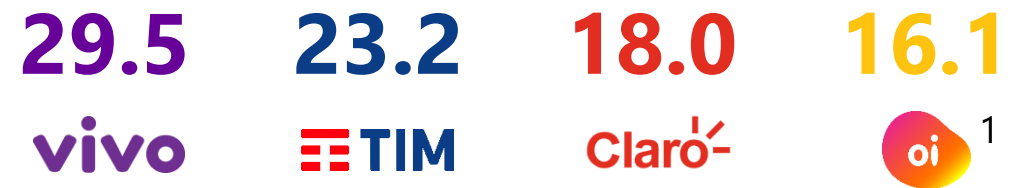


Even so, we remain as undisputed leaders in postpaid, with the best mix and ARPU of the industry >>>

Postpaid customers (million) and mix of postpaid customers



Mobile ARPU 2Q19 R\$



HIGHLIGHTS

Consolidated in R\$ million	Pro forma (ex-IFRS 16) <sup>1</sup>				Reported			
	2Q19	Δ% YoY	6M19	Δ% YoY	2Q19	Δ% YoY	6M19	Δ% YoY
<b>NET OPERATING REVENUES</b>	<b>10,870</b>	<b>0.4</b>	<b>21,845</b>	<b>1.1</b>	<b>10,870</b>	<b>0.4</b>	<b>21,845</b>	<b>1.1</b>
Net Mobile Revenues	6,972	2.3	14,053	3.5	6,972	2.3	14,053	3.5
Net Handsets Revenues	631	31.9	1,229	42.3	631	31.9	1,229	42.3
Net Fixed Revenues	3,897	(2.8)	7,792	(3.0)	3,897	(2.8)	7,792	(3.0)
<b>OPERATING COSTS</b>	<b>(7,079)</b>	<b>26.0</b>	<b>(14,151)</b>	<b>12.2</b>	<b>(6,605)</b>	<b>17.5</b>	<b>(13,219)</b>	<b>4.8</b>
<i>Recurring Operating Costs</i> <sup>2</sup>	<i>(7,079)</i>	<i>0.1</i>	<i>(14,151)</i>	<i>0.6</i>	<i>(6,605)</i>	<i>(6.6)</i>	<i>(13,219)</i>	<i>(6.0)</i>
<b>EBITDA</b>	<b>3,791</b>	<b>(27.1)</b>	<b>7,694</b>	<b>(14.5)</b>	<b>4,265</b>	<b>(18.0)</b>	<b>8,625</b>	<b>(4.1)</b>
<b>EBITDA MARGIN</b>	<b>34.9%</b>	<b>(13.2) p.p.</b>	<b>35.2%</b>	<b>(6.4) p.p.</b>	<b>39.2%</b>	<b>(8.8) p.p.</b>	<b>39.5%</b>	<b>(2.1) p.p.</b>
<i>Recurring EBITDA</i> <sup>2</sup>	<i>3,791</i>	<i>1.0</i>	<i>7,694</i>	<i>1.9</i>	<i>4,265</i>	<i>13.6</i>	<i>8,625</i>	<i>14.3</i>
<i>Recurring EBITDA Margin</i> <sup>2</sup>	<i>34.9%</i>	<i>0.2 p.p.</i>	<i>35.2%</i>	<i>0.3 p.p.</i>	<i>39.2%</i>	<i>4.6 p.p.</i>	<i>39.5%</i>	<i>4.6 p.p.</i>
<b>NET INCOME</b>	<b>1,485</b>	<b>(53.1)</b>	<b>2,872</b>	<b>(32.6)</b>	<b>1,420</b>	<b>(55.2)</b>	<b>2,762</b>	<b>(35.2)</b>
<b>CAPEX</b>	<b>2,360</b>	<b>10.3</b>	<b>4,055</b>	<b>10.0</b>	<b>2,360</b>	<b>10.3</b>	<b>4,055</b>	<b>10.0</b>
<b>OPERATING CASH FLOW (EBITDA - CAPEX)</b>	<b>1,431</b>	<b>(53.3)</b>	<b>3,639</b>	<b>(31.5)</b>	<b>1,905</b>	<b>(37.8)</b>	<b>4,570</b>	<b>(14.0)</b>
<b>TOTAL SUBSCRIBERS (THOUSAND)</b>	<b>94,364</b>	<b>(3.5)</b>	<b>94,364</b>	<b>(3.5)</b>	<b>94,364</b>	<b>(3.5)</b>	<b>94,364</b>	<b>(3.5)</b>
Mobile Subscribers	73,744	(2.0)	73,744	(2.0)	73,744	(2.0)	73,744	(2.0)
Fixed Subscribers	20,619	(8.5)	20,619	(8.5)	20,619	(8.5)	20,619	(8.5)

**NET OPERATING REVENUES | MOBILE SERVICES**

Consolidated in R\$ million	2Q19	Δ% YoY	6M19	Δ% YoY
<b>NET OPERATING MOBILE REVENUES</b>	<b>6,972</b>	<b>2.3</b>	<b>14,053</b>	<b>3.5</b>
<b>Net Mobile Service Revenues</b>	<b>6,341</b>	<b>0.1</b>	<b>12,824</b>	<b>0.8</b>
Data and Digital Services	5,199	4.9	10,543	6.4
Voice	1,141	(17.1)	2,274	(19.0)
Others	1	(62.0)	6	42.8
<b>Net Handset Revenues</b>	<b>631</b>	<b>31.9</b>	<b>1,229</b>	<b>42.3</b>

**NET OPERATING REVENUES | FIXED SERVICES**

Consolidated in R\$ million	2Q19	Δ% YoY	6M19	Δ% YoY
<b>NET OPERATING FIXED REVENUES</b>	<b>3,897</b>	<b>(2.8)</b>	<b>7,792</b>	<b>(3.0)</b>
<b>Broadband<sup>6</sup></b>	<b>1,392</b>	<b>12.3</b>	<b>2,778</b>	<b>12.4</b>
FTTH	481	55.1	918	52.4
Other Technologies	911	(2.0)	1,860	(0.5)
<b>Pay TV</b>	<b>466</b>	<b>(1.8)</b>	<b>938</b>	<b>(0.9)</b>
IPTV	217	40.5	416	42.6
Other Technologies	249	(22.2)	521	(20.3)
<b>Corporate Data and IT</b>	<b>658</b>	<b>3.8</b>	<b>1,274</b>	<b>4.3</b>
<b>Fixed Voice</b>	<b>1,371</b>	<b>(16.9)</b>	<b>2,780</b>	<b>(17.7)</b>
<b>Others</b>	<b>10</b>	<b>18.3</b>	<b>22</b>	<b>38.2</b>

## OPERATING PERFORMANCE | MOBILE SERVICES

Thousand	2Q19	Δ% YoY	6M19	Δ% YoY
<b>TOTAL SUBSCRIBERS</b>	<b>73,744</b>	<b>(2.0)</b>	<b>73,744</b>	<b>(2.0)</b>
Postpaid	41,714	8.5	41,714	8.5
M2M	9,126	28.3	9,126	28.3
Prepaid	32,030	(13.0)	32,030	(13.0)
<b>MARKET SHARE</b>	<b>32.2%</b>	<b>0.2 p.p.</b>	<b>32.2%</b>	<b>0.2 p.p.</b>
Postpaid	40.0%	(1.3) p.p.	40.0%	(1.3) p.p.
Prepaid	25.8%	(0.2) p.p.	25.8%	(0.2) p.p.
<b>ARPU (R\$/month)</b>	<b>28.7</b>	<b>2.1</b>	<b>29.1</b>	<b>3.0</b>
Postpaid (Human)	51.2	(1.6)	52.2	(0.0)
M2M	2.9	5.9	2.9	8.1
Prepaid	12.3	5.0	12.2	(0.8)
<b>MONTHLY CHURN</b>	<b>3.4%</b>	<b>0.4 p.p.</b>	<b>3.3%</b>	<b>0.2 p.p.</b>
Postpaid (ex-M2M)	1.8%	0.0 p.p.	1.8%	0.1 p.p.
Prepaid	5.1%	0.9 p.p.	5.0%	0.7 p.p.



**OPERATING PERFORMANCE | FIXED SERVICES**

Thousand	2Q19	Δ% YoY	6M19	Δ% YoY
<b>TOTAL SUBSCRIBERS</b>	<b>20,619</b>	<b>(8.5)</b>	<b>20,619</b>	<b>(8.5)</b>
<b>Fixed Broadband</b>	<b>7,268</b>	<b>(2.6)</b>	<b>7,268</b>	<b>(2.6)</b>
FTTH	2,170	37.9	2,170	37.9
Other Technologies	5,098	(13.4)	5,098	(13.4)
<b>Pay TV</b>	<b>1,460</b>	<b>(9.5)</b>	<b>1,460</b>	<b>(9.5)</b>
IPTV	648	33.2	648	33.2
Other Technologies	812	(28.0)	812	(28.0)
<b>Voice</b>	<b>11,891</b>	<b>(11.7)</b>	<b>11,891</b>	<b>(11.7)</b>
<b>MARKET SHARE   Fixed Broadband</b>	<b>23.3%</b>	<b>(1.6) p.p.</b>	<b>23.3%</b>	<b>(1.6) p.p.</b>
Market Share   FTTH	29.6%	(7.2) p.p.	29.6%	(7.2) p.p.
<b>MARKET SHARE   Pay TV</b>	<b>8.8%</b>	<b>(0.2) p.p.</b>	<b>8.8%</b>	<b>(0.2) p.p.</b>
Market Share   IPTV	93.8%	11.4 p.p.	93.8%	11.4 p.p.
<b>MARKET SHARE   Voice</b>	<b>33.2%</b>	<b>(1.0) p.p.</b>	<b>33.2%</b>	<b>(1.0) p.p.</b>
<b>ARPU   Broadband (R\$/month)</b>	<b>63.3</b>	<b>14.2</b>	<b>62.8</b>	<b>13.5</b>
<b>ARPU   Pay TV (R\$/month)</b>	<b>104.1</b>	<b>5.4</b>	<b>102.9</b>	<b>4.1</b>
<b>ARPU   Voice (R\$/month)<sup>5</sup></b>	<b>36.1</b>	<b>(8.8)</b>	<b>35.8</b>	<b>(10.9)</b>

# 2Q19 IFRS INCOME STATEMENT

Consolidated in R\$ million	2Q19	Δ% YoY	6M19	Δ% YoY
<b>GROSS OPERATING REVENUE</b>	<b>16,345</b>	<b>0.0</b>	<b>33,028</b>	<b>1.1</b>
Gross Operating Mobile Revenue	10,447	0.9	21,293	2.8
Gross Operating Fixed Revenue	5,898	(1.6)	11,735	(2.2)
<b>NET OPERATING REVENUE</b>	<b>10,870</b>	<b>0.4</b>	<b>21,845</b>	<b>1.1</b>
Net Operating Mobile Revenue	6,972	2.3	14,053	3.5
Net Operating Fixed Revenue	3,897	(2.8)	7,792	(3.0)
<b>OPERATING COSTS</b>	<b>(6,605)</b>	<b>17.5</b>	<b>(13,219)</b>	<b>4.8</b>
<b>Personnel</b>	<b>(922)</b>	<b>(13.3)</b>	<b>(1,826)</b>	<b>(9.8)</b>
<b>Costs of Services Rendered</b>	<b>(2,428)</b>	<b>(16.9)</b>	<b>(4,877)</b>	<b>(14.4)</b>
Interconnection	(251)	(35.9)	(556)	(17.7)
Taxes and Contributions	(405)	(5.6)	(814)	(3.4)
Third-party Services	(1,440)	8.5	(2,819)	4.6
Others	(332)	(57.2)	(688)	(53.7)
<b>Cost of Goods Sold</b>	<b>(752)</b>	<b>27.2</b>	<b>(1,506)</b>	<b>40.0</b>
<b>Commercial Expenses</b>	<b>(2,173)</b>	<b>(5.2)</b>	<b>(4,389)</b>	<b>(2.9)</b>
Provision for Bad Debt	(397)	7.7	(823)	7.4
Third-party Services	(1,710)	(5.0)	(3,434)	(2.9)
Others	(66)	(46.4)	(132)	(39.1)
<b>General and Administrative Expenses</b>	<b>(307)</b>	<b>(20.0)</b>	<b>(613)</b>	<b>(19.1)</b>
<b>Other Net Operating Revenue (Expenses)</b>	<b>(23)</b>	<b>n.a.</b>	<b>(8)</b>	<b>n.a.</b>
<b>EBITDA</b>	<b>4,265</b>	<b>(18.0)</b>	<b>8,625</b>	<b>(4.1)</b>
<b>EBITDA Margin %</b>	<b>39.2%</b>	<b>(8.8) p.p.</b>	<b>39.5%</b>	<b>(2.1) p.p.</b>
<b>DEPRECIATION AND AMORTIZATION</b>	<b>(2,637)</b>	<b>31.0</b>	<b>(5,226)</b>	<b>30.3</b>
Depreciation	(1,918)	41.3	(3,806)	40.9
Amortization of Intangibles	(421)	19.3	(818)	15.8
Others Amortizations	(299)	(1.5)	(603)	(0.5)
<b>EBIT</b>	<b>1,628</b>	<b>(49.0)</b>	<b>3,400</b>	<b>(31.8)</b>
<b>FINANCIAL RESULT</b>	<b>(241)</b>	<b>n.a.</b>	<b>(331)</b>	<b>n.a.</b>
<b>GAIN (LOSS) ON INVESTMENTS</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>n.a.</b>
Taxes	33	n.a.	(308)	(84.8)
<b>NET INCOME</b>	<b>1,420</b>	<b>(55.2)</b>	<b>2,762</b>	<b>(35.2)</b>



---

---

---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

---

---