

**Bulletin:**

## Telefonica Chile And Telefonica Moviles Chile Ratings Unaffected By Announced Merger Intention

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SAO PAULO (S&P Global Ratings) March 7, 2017--S&P Global Ratings said today that its ratings on Telefonica Chile S.A. (TC; BBB/Stable/--) and Telefonica Moviles Chile S.A. (TMC; BBB/Stable/--) are unaffected by the board's announcement that it intends to progress with a corporate reorganization process. On March 6, TMC's board announced the call for an extraordinary shareholders meeting on March 22, 2017, to approve TMC's merger with its non-operating holding company, Inversiones Telefónica Móviles Holding S.A. (ITMH). The latter will absorb TMC, turning into an operating holding company that will control TC. The purpose is to simplify the current organizational structure, achieve some operating efficiencies, and formally consolidate the fixed and mobile operations in order to provide more clarity to the market by presenting consolidated financials of TMC and TC.

We don't expect any impact on our ratings following the merger because we already view TMC's and TC's credit quality as linked, because of the high degree of integration between the two companies. Therefore, we have been following a consolidated approach to the rating, focusing on combined figures for our financial analysis. Potential operating and fiscal efficiencies could result in some improvements in cash flow generation over the next few years but not sufficient to change our view on companies' modest financial risk profile.

Only a rating committee may determine a rating action and this report does not constitute a rating action.

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