

Results Presentation

3RDQTR2019

 **5G**

TIM.
READY FOR
THE FUTURE.



Disclaimer



This presentation **contains declarations that constitute forward looking statements** regarding the intent, belief or current expectations of the customer base, estimates regarding future financial results and other aspects of the activities.



Such **forward looking statements are not guarantees of future performance** and involve risks and uncertainties, and **actual results may differ materially from those projected** as a result of various factors.



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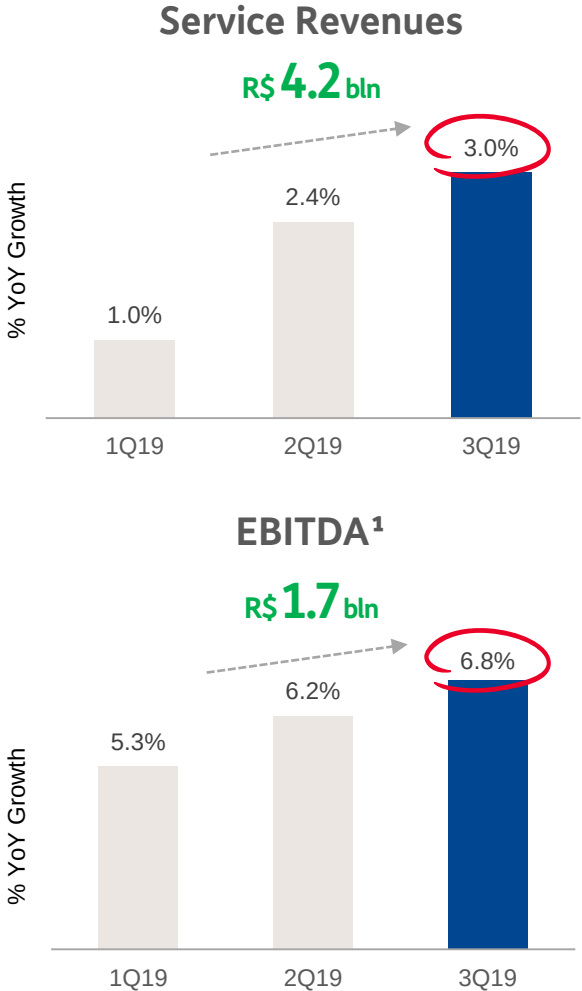
Financial results are presented considering impacts from IFRS 9 & IFRS 15 adoption, disconsidering impacts from IFRS 16 adoption.

The normalized numbers reported in this presentation are adjusted by the effects listed below.

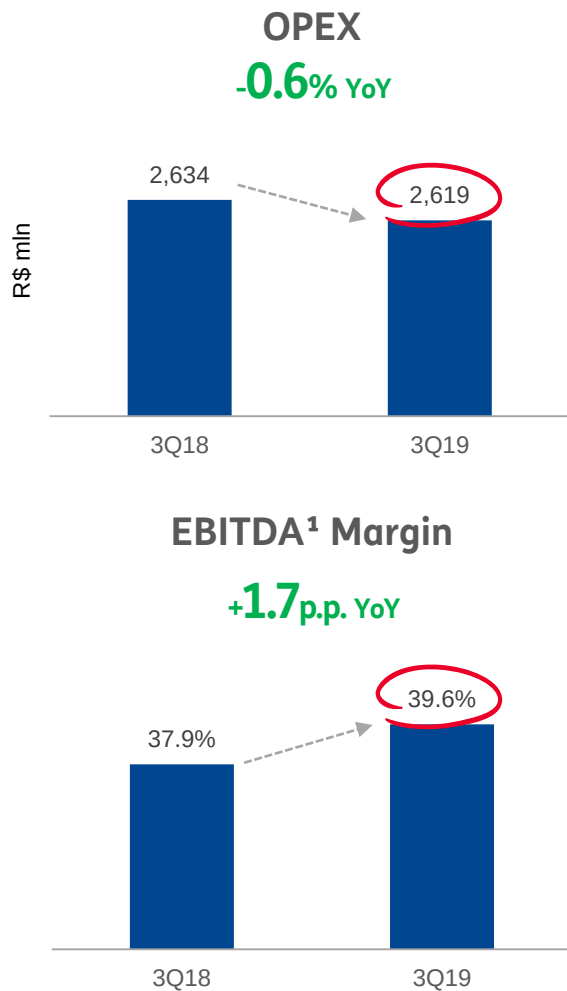
Operating Costs and EBITDA normalized by adjustments to the sale-leaseback contract of towers (+R\$ 11 thousand in 2Q19, +R\$ 1.5 million in 1Q19, +R\$ 1.1 million in 2Q18 and +R\$ 220 thousand in 1Q18), tax credit due to the exclusion of ICMS from the calculation basis of PIS/COFINS (-R\$ 75 million in 3Q19 and -R\$ 1,720 million in 2Q19), non-recurring expenses with legal services connected to the PIS/COFINS court decision (+R\$ 4.4 million in 3Q19 and +R\$ 3.5 million in 2Q19), loss forecast revision for internal labor, taxes and civil contingencies (+R\$ 11 million in 3Q19 and +R\$ 222 million in 2Q19) and contractual losses (+R\$ 22 million in 3Q19). Net Financial Results adjusted by monetary correction over tax credits and labor, taxes and civil contingencies (-R\$ 66 million in 3Q19 and -R\$ 1,051 million in 2Q19). Net Income normalized by the tax credit and other effects (+R\$ 35 million in 3Q19 and +R\$ 865 million in 2Q19), deferred taxes (+R\$ 30.3 million in 1Q19) and by the tax credit due to the merger of TIM Celular into TIM S.A. (-R\$ 950 million in 3Q18).

Highlights 3Q19: Solid Results and Becoming Ready for Market Developments

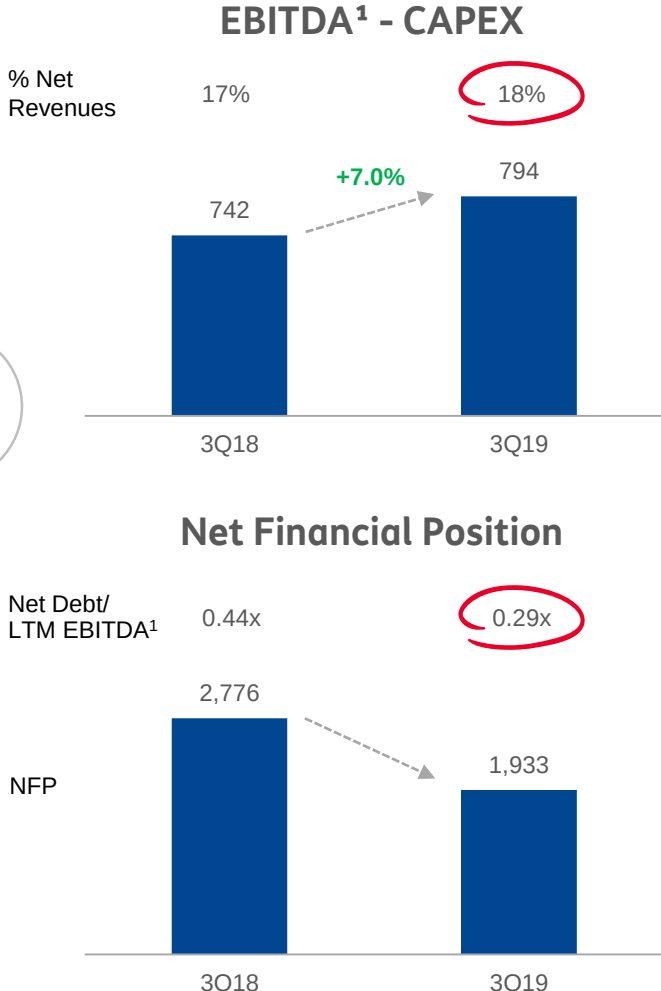
Gradual and continuous growth acceleration



Over-delivery on cost control driving consistent margin evolution



Strong cash generation and balance sheet

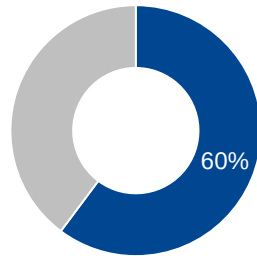


(1) OPEX and EBITDA normalized for the effects detailed in slide 2.

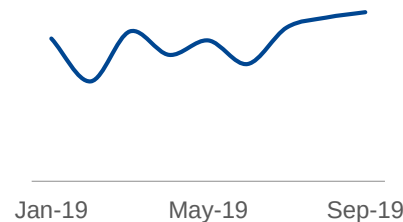
Mobile Operations: While Prepaid Continue to Improve, on Postpaid Somethings Still Need to be Fine Tuned

TIM Pré Top
improving
prepaid
metrics

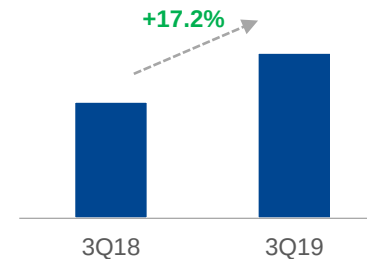
TIM Pré Top
(% of total prepaid subs)



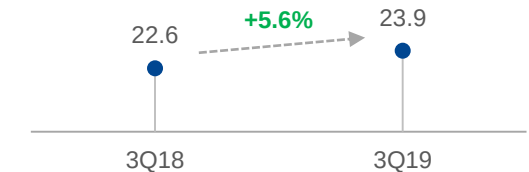
Prepaid Rechargers
(% of total prepaid)



Prepaid Data Users
(mln)



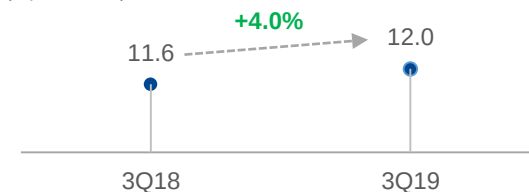
Mobile ARPU
(R\$ / month)



Postpaid ex-M2M ARPU
(R\$ / month)

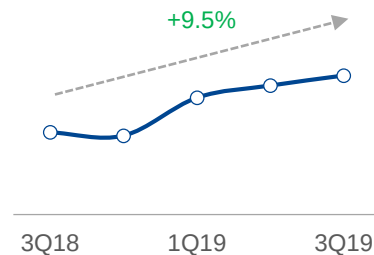


Prepaid ARPU
(R\$ / month)

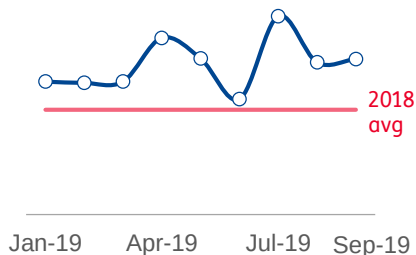


Postpaid
acquisitions
are working
well, while
churn remains
a challenge

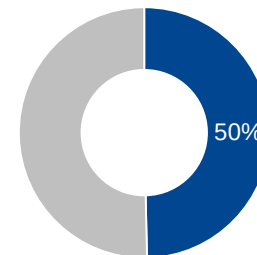
Gross adds: acquisitions
on a positive path
(Human postpaid gross adds 12M)



Involuntary Churn: an
issue to be resolved
(Consumer human postpaid)



TIM Black Família
(% of pure postpaid gross adds)



Mobile Operations: Back to the Basics to Achieve Consistent Results and Regain Momentum

Offering simplification with a new concept that ties recharge to service packages



DEC/2018

Increasing presence in high-end segment with an entertainment hub concept



JUN/2019

Customer engagement & Innovation to incentivize brand recognition, while re-introducing **Device as an important tool** to upsell the offer and avoid price/GB war



SEP/2019

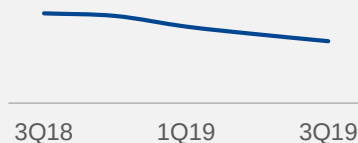


NOW

Simplification positively impacts human customer care demand

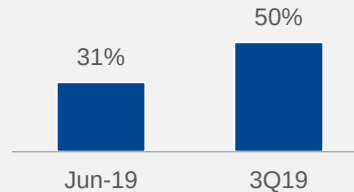
Prepaid human Interactions
(mln)

OPERATIONS RELOADED



New concept gaining relevance in TIM's customer acquisition

TIM Black Família
(% of consumer pure postpaid gross adds)



Market opportunity to drive data consumption in the short-medium term

~58mln

devices to be replaced

20mln **2G** 38mln **3G**

Regaining brand awareness:

back to
2nd

position in
mobile market
Top of Mind

and
1st

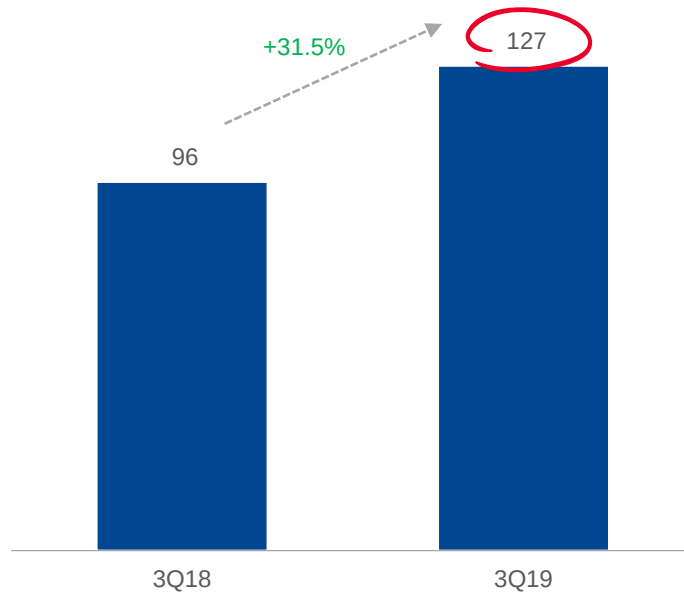
position in
prepaid Top of
Mind

Doing more with less: increased media presence while reducing marketing expenses by >30% YoY.

TIM Live: Sustaining a Solid Pace as We Complete the Catch up with the Original Coverage Plan

Net Revenues

(R\$ mln)



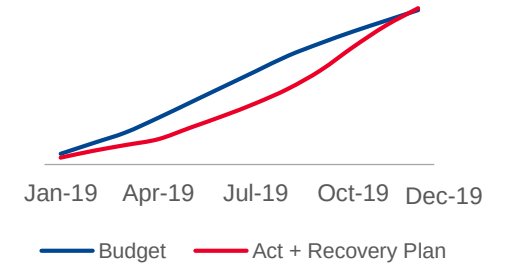
→ YoY revenue growth sustained above 30%



- +3 new cities in the quarter¹ 22 in total
- +16 new cities until 2020

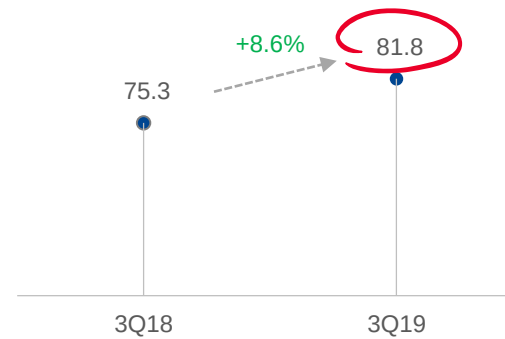
New OLTs

(# of units)



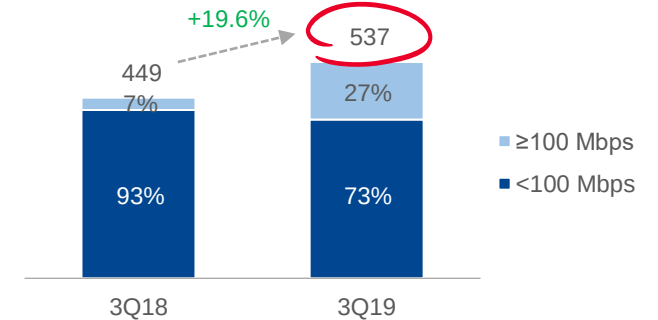
ARPU

(R\$/month)



Customer Base

(000 Clients)



Enabling High Level CEX and Monetization Opportunities Through a Smart Capex Approach

Ensuring robust infrastructure

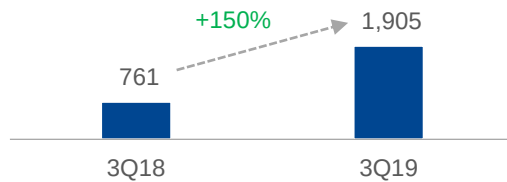
Leadership in 4G Coverage

(700MHz # cities)



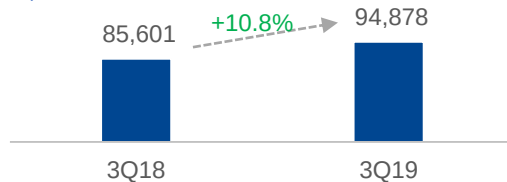
FTTH Coverage

(# households)



Backbone + Backhaul

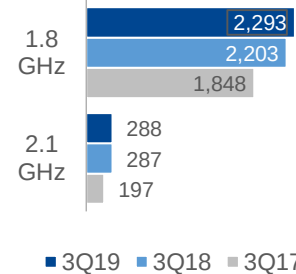
(Km)



Increasing Efficiency & Quality

Spectrum Refarming

(# cities)



Leadership in 4.5GHz coverage

1st position PR/SC NE¹

→ +69% YoY: cities w/ carrier aggregation

VoLTE coverage

~3.3k cities

→ +54% cities YoY

New Initiatives



+3,000 new cities w/ NB-IoT: ~8x more than the 2nd player



Approaching 4G with 5G technologies: massive MIMO

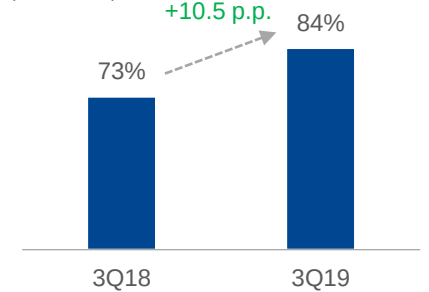


Advanced negotiations with Vivo on sharing agreements MOU renewed!

Data demand continues to be high: monetization opportunities ahead

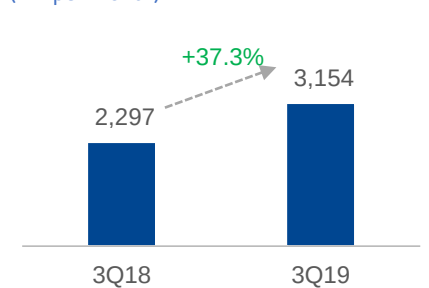
4G Data Traffic

(% of total)



Mobile BOU

(MB per month)



5G Protagonism: Exploring Applications and Building a Readiness Ecosystem to the Technology Launch



Network Preparation

- **Network virtualization:** 37 data centers until 2021
- **5G-ready equipment:** network migration through software update
- **RFP Process:** 4G and 5G vendors for the next three years

Trials

- **Trials on real network:** all vendors involved (Huawei, Ericsson, Nokia)

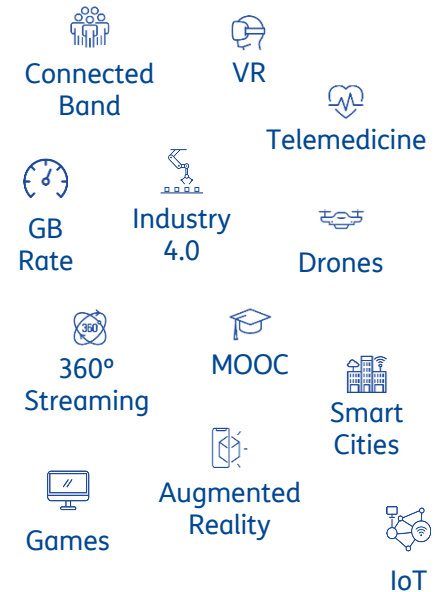


- **Trials in stores:** engaging customers with 5G technology in >10 stores

Regulatory

- **5G Auction:** expected for 2H20, conditions still under discussion by Anatel

Applications



Unlocking Efficiency With Customer Empowerment: the Tools of the Digital Age

Delivering on the promise of digitalization...

(YoY) Caring 	+23% Meu TIM unique users	-14% # Human interactions
Billing & Payment 	+43% E-Bills (Penetration of ~60%)	+11% E-Payment base
Acquisition 	+85% Postpaid E-Sales	+37% Control E-Sales
Recharges 	+71% Recharges via App	>37% Penetration of E-Recharges

... and building new capabilities



Cognitive IVR

Customer care agility and assertiveness.



Next TIM

Artificial intelligence in customer care.



Naked SIM

Expanding acquisition channels throughout the country.

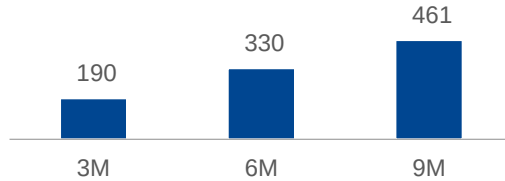


Next Best Action

Customer base management: the right customer with the right offer.

Strong Execution on Cost Control Despite Challenges to Reduce Delinquency

Accumulated Efficiency in 2019



TIM Brasil's 2019-21 Industrial Plan estimates savings up to R\$ 1.2 bln for the 3-year period

Normalized OPEX¹

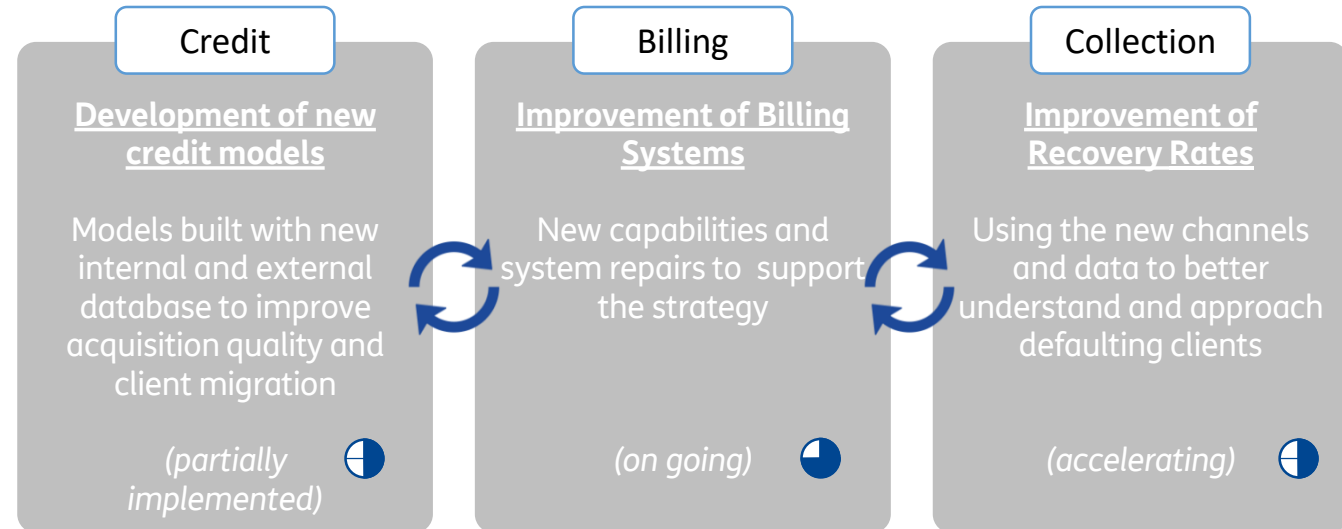
	2018			2019	
	Q3	Q2		Q3	Q2
	2,634	2,641	2,619	2,646	2,694
	-0.6%	+0.2%	-0.2%		

9M19 OPEX:
↓ -0.2% YoY

Costs remain under control and well below inflation (~3%)²
 OPEX ex-Bad Debt would have decreased 2.4% YoY in 9M19

Bad Debt: Action Plan

Reduce delinquency and involuntary churn, while improving acquisition quality

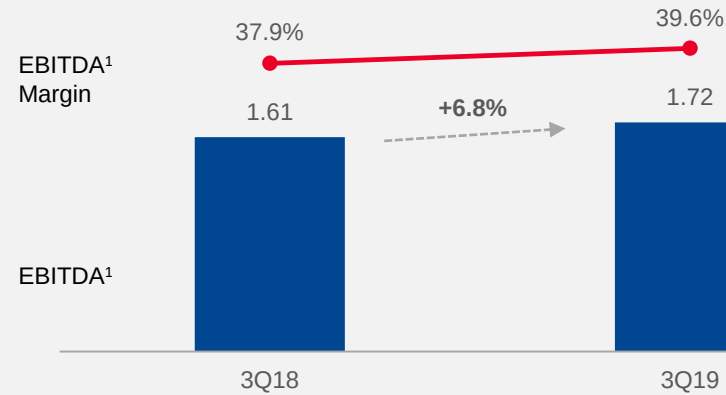


First results in 4Q19 and 2020

Consistent Cash Generation and Margin Expansion

EBITDA¹ & Margin¹ Evolution

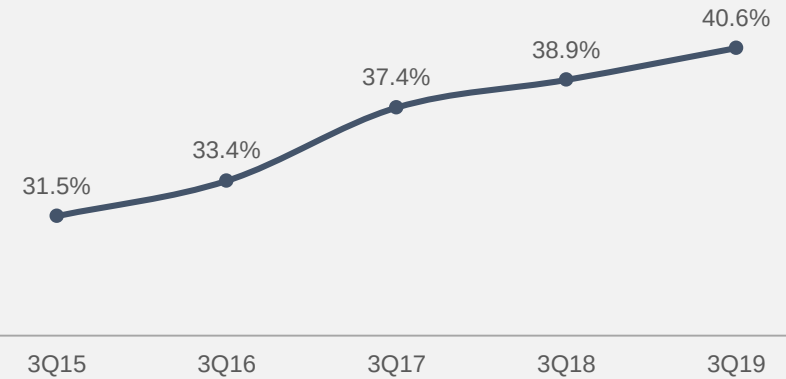
(%; R\$ bln, %YoY)



**9M19 EBITDA¹ +6.1% YoY
YTD Margin 37.8% (+1.4 p.p YoY)**

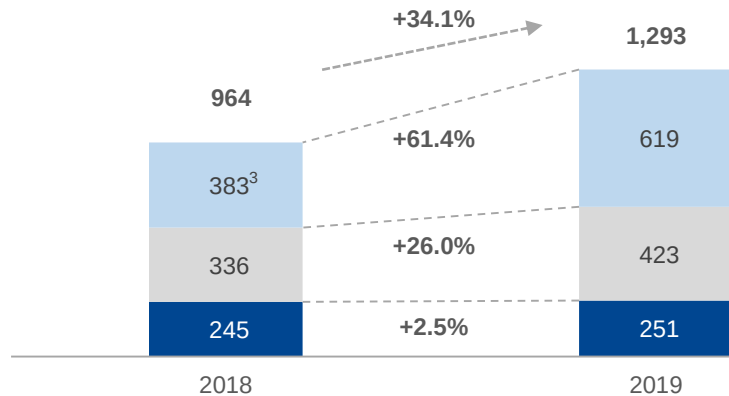
Pro-forma² Margin¹ Evolution

(%)



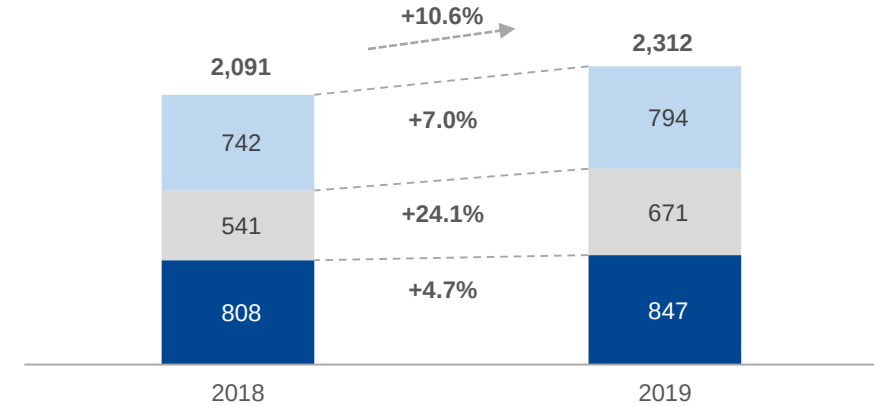
Net Income¹ Expansion

(R\$ mln, %YoY)



EBITDA¹ – CAPEX

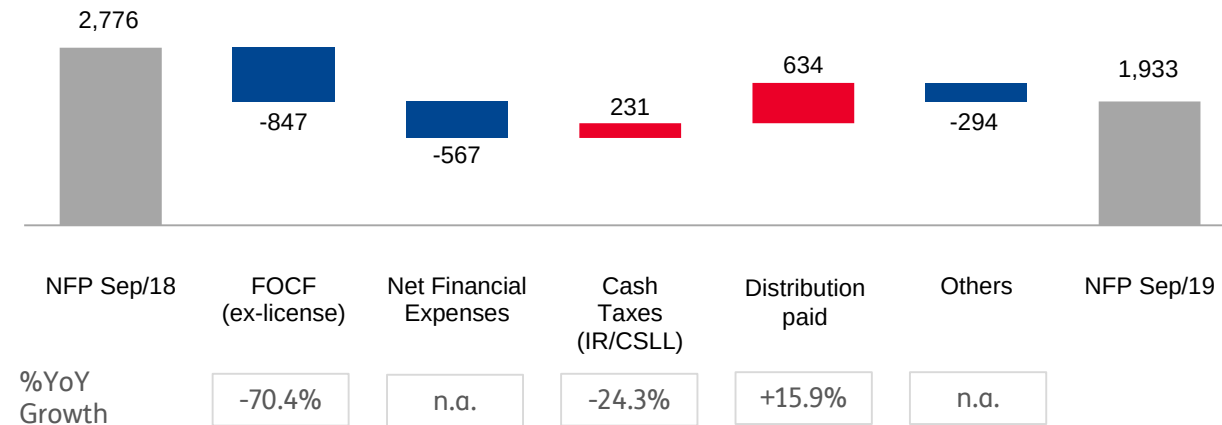
(R\$ mln)



Solid Cash Flow Dynamics with a Strong Balance Sheet: Ready for Strategic Opportunities

Net Financial Position

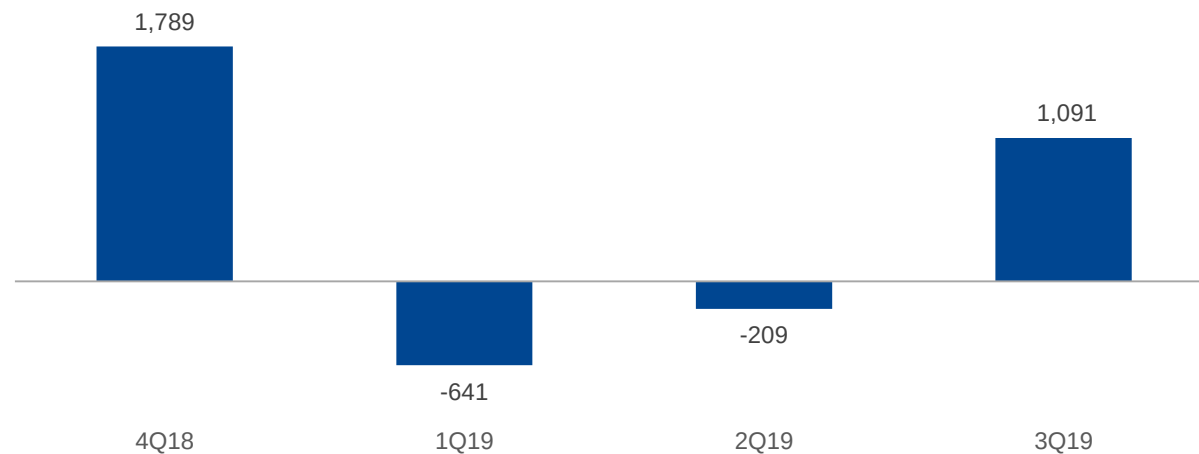
(R\$ mln)



- Reported FOCF (LTM) affected by changes in WC in 1H19 (mainly explained by an increase in assets due to PIS/COFINS credits);
- Cash Taxes positive impacts: increase in shareholder remuneration through IOC distribution and NOL credits usage;
- NFE positively impacted by PIS/COFINS Credits monetary correction.

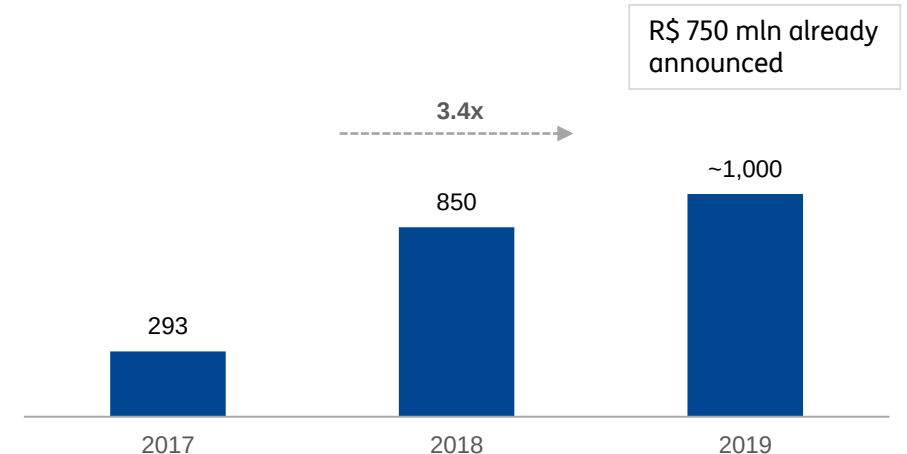
Normalized¹ FOCF Evolution

(R\$ mln)



Shareholder Remuneration

(R\$ mln)

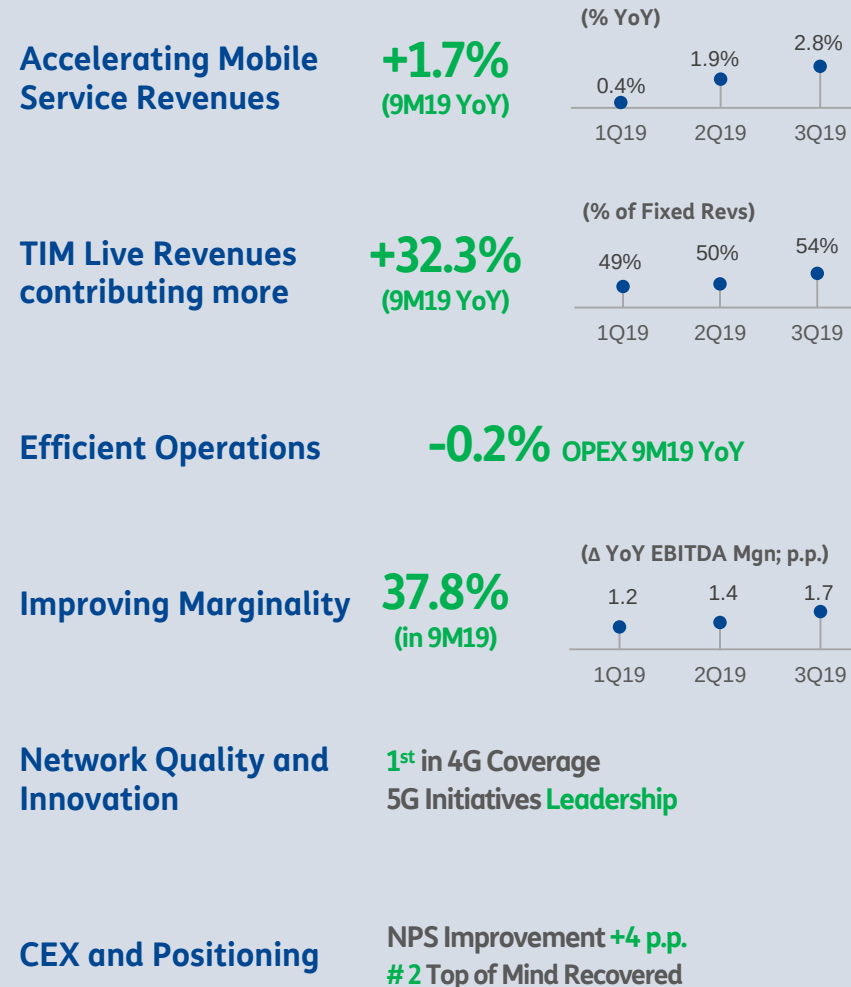


Recovering Momentum to Deliver 2019 Promises, While Preparing for 2020

Reloading Operations Focusing on the Basics

- Accelerating the movement “From Volume to Value”
- Focus on operations quality: sales, customer care and network
- Regaining innovation leadership through offer and technology
- Re-construction of communication strategy and brand attributes to reclaim positioning in customers minds
- Recovering customer satisfaction

Fundamentals are Solid and in a Clear Path of Evolution



2020 Already Started: Building the New Plan

- Mobile Advertising: from drawing board to reality
 - ✓ First two contracts signed
- Financial Services
 - ✓ Taking advantage of TIM's assets
 - ✓ Developing more than one solution to be tested based on client segmentation
- 5G continued preparation
- IoT Verticals development