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## 2Q21 RESULTS CONFERENCE

TIM S.A.

July 27<sup>th</sup>, 2021

### [Instructions]

**Operator** – Good morning ladies and gentlemen, welcome to TIM S.A. 2021 2<sup>nd</sup> quarter results conference call.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. There will be a replay for this call on the Company's website.

After TIM S.A. remarks are completed, there will be a question and answer session for participants. At that time further instructions will be given.

We highlight that statements that may be made regarding the prospects, projections and goals of TIM S.A. constitute the beliefs and assumptions of the Company's Board of Executive Officers. Future considerations are not performance warranties. They involve risks, uncertainties and assumptions as they refer to events that may or may not occur. Investors should understand that internal and external factors to TIM S.A. may affect their performance and lead to different results than those planned.

Should any participant need assistance during this call, please press \*0 to reach the operator.

Now, I'll turn the conference over to the CEO, Mr. Pietro Labriola, so he can present the main messages for the second quarter of 2021. Please, Mr. Pietro, you may proceed.

**Pietro Labriola – TIM S.A. – CEO**

**Pietro Labriola (CEO)** – Good morning everyone! Thanks for attending our conference call.

We are becoming more optimistic about the situation of the country and the business. After the second wave of the pandemic hit Brazil between March and May, we started to see some lights at the end of the tunnel following the vaccination acceleration. Overall, the economic activity is coming back and so is the speed of our business.

In the second quarter, we continued to present a solid recovery, with all revenue lines improving on a year-over-year basis and quarter-over-quarter. For the telecom sector the first wave was the worst moment of the pandemic, but an easy comparison base doesn't explain all the evolution we see in the business.

That is why we are very confident in delivering the company's targets. Second half expectations are high, not only due to the recovery process but also because of the spectrum auction and the closing of the deal with Oi.

Without further delays, let's move to the results.

Once again, the quarter was marked by admirable execution. We accelerated our recovery, growing solidly in all major lines and more rapidly than our recent results.

- We closed the quarter with Service Revenues growing near 9% year-over-year.
- EBITDA came in very solid, close to 6% versus last year. We are posting yearly growth for the past 20 quarters. Not all businesses reach such consistent and sound performance.
- In July, we announced another venture of our Customer Platform strategy. This time in the EdTech arena with the Cogna group.
- This last partnership led to a new *Controle* offer in mobile. So, we took the opportunity to refresh the entire mobile portfolio. In parallel, we also updated TIM Live's portfolio.
- In the second quarter, we continued with the financing plan for the Oi acquisition and issued the first sustainability-linked bond in TIM's history.



We issued 1.6 billion Reais in debentures attached to ESG targets, the largest in Brazil so far. By achieving social and environmental goals, we reduce the cost of funding while producing positive impacts for society.

Still on this front, we improved our disclosure of information following the release of our annual ESG report and a brand-new section on our IR website. We focused our environmental actions on reaching our long-term targets, adding 15 renewable energy plants and reaching 1.7 thousand Biosites.

On the social front, we also had a great quarter. I was personally engaged in launching the partnership with the *Mulheres Positivas* initiative together with nine other large companies to foster career development and women's access to the labor market. We also adhere to the LGBTI+ Rights Forum. And finally, we received recognition for our work, winning the GSMA award for Diversity in Tech.

Detailing our revenue acceleration, we saw positive contributions coming from mobile and fixed services, with all major lines posting better growth rates than the first quarter.

Mobile Service Revenue accelerated to grow 8.5% year-over-year, with the Postpaid segment also speeding up to reach almost 9%, while Prepaid expanded more than 5%, reverting past quarters contractions. In parallel, Fixed services also posted a solid evolution, up by 11%, with a substantial contribution from TIM Live, expanding more than 20% year-over-year.

The critical element for our mobile recovery amid the second wave of the pandemic is the ability to execute the Volume-to-Value strategy. Despite having still some stores closed across the country impacting our commercial activity, our mobile ARPU grew more than 10% year-over-year and 1.2% versus the first quarter. It's worth noting that our ARPU is growing for 22 consecutive quarters.

Since March, we've seen an improvement in the recharge level. This trend was confirmed in the second quarter and drove Prepaid ARPU up more than 11% year-on-year, with a quarter-over-quarter expansion as well.

Postpaid ARPU also increased by more than 5% year-over-year, backed by positive performance in intra-segment migrations.

The quest to differentiate our offers by moving away from the price per Giga is clearly paying off. As I mentioned earlier, we refreshed our mobile portfolio,



adding unlimited music with Deezer Go to our main Prepaid proposition. In Pure-postpaid, the Entertainment Hub grew its option with the addition of HBO Max. While in *Controle* offers, we added the education content from the Ampli platform under our EdTech partnership.

Going into more details of this new venture...

We are joining forces with the largest education player in Brazil, the Cogna Group, to accelerate the mobile-first Ampli platform. In exchange for the usage of our mobile operator assets, TIM will be remunerated in the form of CAC revenues and equity, up to 30% of Ampli capital. With this, we expect to accelerate student intake, creating value for both companies.

Regarding financial services, we continue to accelerate every month the number of additional TIM clients to open and use a bank account at C6. Generating new revenues and improving the life-time value of the TIM customers. With that, we are hitting the targets for equity, and booked an additional stake in the second quarter, which brings us to a total of approximately 2.9% of C6's capital.

Our Mobile Advertising project is maturing day by day. We keep growing our audience pool with more than 19 million opt-ins for ads. We developed an insights platform respecting all the data privacy requirements. We are developing new channels such as TIM Fun that associates games with ads and TIM News with the duo content plus ads.

First results from the TIM Ads platform are coming out. Campaigns are reaching millions of people; we are doing large-scale surveys; rewarding users for their engagement with ads. Brick by brick, we are building a new revenue stream.

Completing the discussion around revenues drivers, let's move to fixed services, specifically TIM Live operation. The main drivers for the double-digit revenue growth we see every quarter in the fixed broadband continue to be ARPU and customer base uplift.

In the second quarter, blended ARPU was up by more than 8%, with FTTH ARPU reaching close to 110 Reais per connection. Our customer base continues to evolve towards higher speeds. The new portfolio counts with 500 and 600

Mbps speeds and more OTT content. FTTH coverage also expanded, reaching 3.8 million homes passed.

A quick update on the FiberCo deal. In June, we got the approval from CADE, and now we are waiting for Anatel's consent. Closing is expected for September or October, and we are planning a smooth transition without disruptions in the FTTH rollout. We are pleased with the arrival of IHS as a partner in the FiberCo and wish to build great things with them.

Maintaining our discussion on infrastructure developments, I'd like to remark that it was not only the broadband coverage that grew solidly.

Mobile coverage also expanded soundly: 22% more cities were covered with 4G and 20% more in 4.5G. We are also preparing our network to receive Oi customers. Massive MIMO and Site modernization are accelerating for this purpose. Transport network keeps growing with more than one thousand cities connected with fiber, and consequentially more kilometers being laid out. This solid execution is helping us to anticipate our TAC commitments.

The network sharing agreement with Vivo continues to evolve. Now, all three fronts are showing progress. Combined coverage expansion went above 350 cities. Single grid trials are being run in 20 cities, while 2G switch-off tests are underway. Our commitment to efficiency is a driver for this project and many others.

Talking about efficiency...

This quarter, it is crucial to go into some details of our Opex dynamics to clarify any misinterpretations.

Our Opex went up 15% year-on-year, but this is basically due to the return of variable costs and expenses reduced due to the first wave of the pandemic and other volume-related impacts. To confirm this understanding, we can compare this quarter against the second quarter of 2019, and we get a flat variation, while versus the first quarter of 2021, we posted a slight decline of 0.6%. So, it is fair to say our Opex is still under control.

Digitalization efforts continue to play an essential role in TIM's efficiency program, and we have robust improvements in all leading indicators. E-billing, E-

payment, Digital caring, E-sales of lines, and recharges keep growing in adoption.

Despite this specific situation with Opex, EBITDA growth also accelerated to 5.9% year-over-year, summing 2.1 billion Reais. Margin stood close to 48%. This performance helped Net Income to go above 680 million Reais, representing a two-and-a-half-fold increase. Our investments reached 900 million Reais, a growth of more than 30% year-on-year.

In this context, operating free cash flow for the first six months of the year grew more than 50%, surpassing 1.8 billion Reais, which drove our net debt down 27% and a cash position of 7.1 billion Reais.

It is worth mentioning, our financing plan for the Oi acquisition is underway and going smoothly. Besides the debenture issuance, we took 1.1 billion Reais in bilateral loans, and we also have the cash proceeds from the FiberCo deal. We expect to take additional debt lines of approximately 1 billion Reais in the second half.

Closing my comments, I want to remark on the sound results we have been delivering amid a very complex environment, confirming the company's solid fundamentals and positive momentum.

In the first half,

- We posted a 6% service revenue increase while expanding EBITDA by more than 5%.
- Customer Platform revenues summed 46 million Reais, and considering the new partnerships, we have a clear path to reach our year-end goal of 100 million Reais.
- A year ago, those initiatives were only a PowerPoint chart. However, today, we are proving we can create value with them.
- On the M&A front, we are executing well what we set ourselves to do.

As I said at the beginning of my speech, we are more optimistic about the future. We are confident the Oi deal will be approved. However, we always knew this is a complex transaction that would require much attention from the regulators.

Bottom line, all that has happened so far is not a surprise. We are working with Anatel and CADE, answering their requests and clarifying all that is necessary.

Another good news is related to the spectrum auction. The process is moving forward, so we should have it happening between September and October. The essence of an infrastructure-focused auction is being confirmed.

Before I conclude my presentation, I'd like to give a special thanks to Adrian Calaza, my friend, our CFO. By the end of August, he will be returning to Argentina and starting a new career path. I, personally, was delighted to work with Adrian for the past five-plus years. He helped us accomplish many things, and for that, TIM Brasil and I will always be grateful. I wish him all the best, but I still count on him to complete the transition in these last weeks.

Thank you!

We will now open the floor for questions. Please, operator...

**Operator** – Thank you, Mr. Pietro now we will begin the Q&A session.

## QUESTIONS AND ANSWERS

**Operator** – The first question comes from Marcelo Santos from JP Morgan.

**Marcelo Santos (JP Morgan)** – I would like to ask a bit about TIM Live. So, you had a slowdown in adds this quarter. I understand that you're adding a lot of fiber to the home, but you're losing FTTC. So, could you please comment on the outlook for this? And the second question also on broadband. How do you see the outlook for Brazilian fiber broadband, given that you have many players that are coming to the market, that are creating infrastructure companies and have aggressive plans of fiber deployment? Do you think there will be space for everybody? Do you think there will be overlap in competition? How do you see this outlook?

**Pietro Labriola (CEO)** – Thank you, Marcelo. Let's start from the second question that is more related to the outlook of the evolution of the ultra-broadband market. Yes, it's true that we have a lot of players that in this moment are fighting to find some rooms for a possible development. But we have to try to understand which are the real capabilities of all the different players in this

market. Because if you look at that, everybody wants to compete and FTTH is the key element for this competition. So other technologies are less competitive compared to that. Part of the actual coverage in FTTH of some of these players are unable to reach high speed services. What I mean that, for example, it's not for everybody to be able to supply a service at 1 or 2 gigabit per second.

So, I'm very happy to announce that to clarify better on the market who is able to compete in this market. We're going to launch by the end of October, our 2 new offers at 1 and 2 gigabit per second. It will be clarified who is really able to stay in this market with a network that is able to manage this kind of speed. Second, it's clear that the -- always on the second question, sorry, it's a second point related to the second question. It's clear that Brazil is a continent, as I'm used to say, every time. And -- so there are rooms to have more than 1 player to -- more than 1 player to cover the different states. It's clear that it's really important to understand where it makes sense to go and compete because there are no places in the world where you can have more than 2 or 3 player able to make this business profitable business investing on FTTH. I think that there will be a natural process in terms of competition where someone will move from a slogan to a reality. So I think that I'm very curious to see what will happen in the following months related to this item.

But again, I'm quite confident that our strategy that is based on a reliable network with the support of IHS will allow us to continue to compete in the different areas. And again, let's see very well the evolution, there are some players more or less that if they want to really complete -- compete, they have to grow. To grow, they are going to lose some of the fiscal advantages that are related to the size of the company. So again, let's see and I think that we have the possibility to further increase our development.

Coming back to the first question that is related to our speed. This is true that we have a slightly slowdown in the second quarter. This is mainly related to the FTTC. Just to clarify, when we discuss about TIM Live, usually, we look at our revenues as an overall. If I should try to compare TIM Live, as we discussed of other player, we should divide our revenues and our net adds in FTTC and FTTH. And if you look at FTTH, FTTH continues to grow for more than 40% year-over-year -- sorry, FTTH continued to grow more than 40% year-over-year. While what is happening is that FTTC is slowing down, and we are in a negative trend in terms of revenues. But on this area, jointly with IHS, we are working also on the possibility of an upgrade of the existing FTTC to FTTH.



Our expectation for the second half is that perhaps our revenue will be slightly below 20% for Live because we will have -- we will continue to have a decrease of FTTC revenues, an increase of FTTH. But as a math we will be back in the first quarter of the next year with a growth that will be closer to 20% because FTTC will continue to reduce and the contribution will be lower and lower and lower. But the numbers, I leave the stage to Alberto that can give a different light on the real number of the second quarter. Alberto, please.

**Alberto Griselli – TIM S.A. – CRO**

**Alberto Griselli (CRO)** – Thanks, Pietro. Marcelo, just a few additional points in terms of overall performance and fiber access. And when it comes to the FTTC that is suffering more in terms of churn rate over the last months, we, as a structural move, decided to start an overlay in Rio de Janeiro and Sao Paulo, a brownfield overlay. We are pretty well advanced in Rio de Janeiro. We're already seeing an improving performance in terms of reducing churn, and we started also in São Paulo this year. And so basically, we're putting an overlay of FTTH on top of our FTTC in order to lock in our customer base. Last point to mention is that we made a price adjustment in the second quarter. This has a specific effect on the churn rate of this quarter, that is not going to repeat in the next quarters, at least at the same intensity.

**Operator** – Our next question comes from Fred Mendes from BofA.

**Fred Mendes (BofA)** – I have 2 questions as well. I mean the first one is strong performance of the mobile service revenue. You mentioned that upselling continues to play an important role. So just want to get a little bit more visibility. I mean, where that's mainly happening, I mean, it looks like it's not as it was in the past from prepaid to hybrid. So I just wonder if you're doing that mainly in the pure postpaid and where you see more opportunities to do for the next quarters? That would be my first question.

And then my second question, the customer platform is still at an early stage, but this quarter, we have reported significant growth, almost 30 million Reais. So just trying to understand how confident you feel about this line of growth and if the margins on these platforms, it is similar to what you've been reporting for the consolidated company or they are slightly different?

**Pietro Labriola (CEO)** – Thank you, Fred. About the first question that is related to the upgrade. We are proceeding with exactly the same strategy that we are declaring since a lot of time. If you remember, I can check also a chart that we showed, I think, 3 or 4 years ago, where we were showing that our idea was to start to migrate prepaid customers, from prepaid to control, and then progressively move from control to postpaid. It's clear that at the beginning, the volume of customer on the prepaid, the so-called prepaid swimming pool, was so big that it was possible to have focus mainly on the migration from prepaid to control.

Then the fact that we have to control also the rentability of the migration because you have to remember that we have to continue to create and generate value in this activity and not just posting some numbers. We are more focusing on the migration from control to postpaid. It doesn't mean that we are not continuing to migrate customer from prepaid to control. But we are doing that with much more attention looking at the bad debt, the cost and the level of ARPU. And it is also demonstrated by the continued increase in the prepaid ARPU growth.

On the control -- from the migration from the control to postpaid, what is important to highlight is, we have always to check the amount of giga that we put in our plan because what we are doing is that. We define a certain amount of giga on the control that are not big enough to keep the customer on the plan to try to solicitate the migration from control to postpaid to reach also a higher level of giga.

In the meantime, as we are used to say, we don't want to compete just on giga and price. It's the strategy that we call "*Além do Giga*". And so if you look at our offer, what we are doing? We are putting in all our package at different level of services to justify also an increase of price and ARPU. Just to give you an idea, on the postpaid, we have a service for our customer base where our customers do not interact in the call center with an IVR, so with an automatic machine but he has the possibility to have a concierge service. So I think that perhaps, say and discuss only about giga, it's partially incorrect because we are trying to build a differentiation that come through: the amount of giga, the level of service that we supply to the customer and the content with the so-called entertainment hub strategy.

And another important element, again, to guarantee the maximum level of efficiency in our commercial activity, we are continuing to develop our next best section platform that, thanks also to artificial intelligence tool allow us to

understand where it makes sense to upgrade the customer, sometimes for ARPU increase and sometimes to churn control.

Let's move to the second question that is customer platform. Yes, we are satisfied about our strategy. As we announced, we closed the agreement with Cogna and I personally want to thank Cogna team to have chosen TIM as a partner for this new journey. I think that it's also important to remember that we want to continue in this way. We are planning to close out other 3 deals by the end of this year. We have already announced the second -- the telemedicine and financial services with the digital wallet. But we have planned to launch another one that is much more related to the value-added services environment.

Last but not least, I think that we will have real good opportunities coming from the mobile advertising field. Here, again, a call to action to all the telco players to join forces because if we put together all the assets that we have, we are able to stay in the market competing with big player as Google, Facebook in a market that is much bigger. Now about the marginality, Adrian you want to...

#### **Adrian Calaza – TIM S.A. – CFO**

**Adrian Calaza (CFO)** – Yes, just complementing -- Fred, it's interesting your question about the margin. Probably the first time we discussed about margins of this kind of revenue. So the thing is, as you know, we are booking revenues coming from commissions of the activations of new accounts of each of these businesses. So, in this end, obviously, the marginality is much higher than the normal one because we do not have additional direct associated costs. You may think about our efforts in terms of communication that are high, as always. But at the same time, there is a lot of synergy because it's the same communication that we use for our products, embedding also the different new offers, the first with C6, now in partnership with Cogna.

So at the end, in terms of the business itself, yes, it has a higher marginality. But there is another variable, probably for us, much more important, that these offers. This new business for us are extremely important in terms of increasing the lifetime of our customers. So obviously, there, reducing the churn helps instantly to increase our margin. So -- on the overall, obviously, in terms of margins, it's extremely positive. We are very happy in terms of how it's going, these new businesses. And obviously, we are probably expecting to go above the initial target that we have for this year. So again, it was interesting, your question,

because it helps us because it is the first time we discussed about margins on this.

**Pietro Labriola (CEO)** – If I can finalize the answer of Adrian, not related to the margin, but again, a statement about the strategy. We foresee for our company but I think for our industry, a future in which we have to work more and more, more and more on services, quality of the service and this kind of partnership because it's the only way to attribute value to a service that differently, could become a commodity. And this is what sustains our strategy from volume to value.

**Operator** – Our next question comes from Soomit Datta from New Street Research.

**Soomit Datta (New Street)** – Yes. Hopefully, you can hear me. Adrian, thanks very much for your help over the years and good luck with everything in the future. A couple of things for me, please. First of all, on financial services. Just to delve into a little bit of detail there, if I could. Can I check, firstly, I saw the news about JPM taking a stake in C6. I just wonder, does that change anything in terms of your perspective on the future outlook? And does it change anything in terms of deal economics, please?

Secondly, can you say anything around the contribution of TIM subscribers to the overall C6 subscriber total? Any don't think you'll be able to give numbers, but any sort of sense as to your contribution there.

And then thirdly, please, I just wondered there's a comment in the presentation about a digital wallet launch in the third quarter. I just wondered specifically on monetization, how does that help things going forward? I think at the moment, essentially, you sign up a subscriber and you get paid a share of that. I just wondered if and when you launch your digital wallet, how does that change that monetization process, please? And then I had one more on the Oi deal, but maybe we could do the fintech stuff first, please.

**Pietro Labriola (CEO)** – Soomit. I was waiting for your question related to the Oi deal, but I will not start from that. Let's start from the easiest one that are the first 2 one. About the JP Morgan C6 acquisition. This is something that jointly with the second question that is related to the contribution of TIM subscribers in the customer base of C6 are information that had to be asked primarily to C6

because it's clear that we don't have all that kind of detail. We have some details about the JP Morgan process, and once we receive the formats, we will be able to give you some more details.

Related to the digital wallet, it's really an interesting question because, again, sometimes, when we discuss about the telco industry, everybody asks us if in the next quarter, we will improve our EBITDA, our cash, the return on investment on a weekly basis. And then there is another world outside that is this digital one, where it seems that cash is not the “king”, profitability is not important, and what is important is only the amount of customer that we get this kind of services waiting in the future for a possible monetization.

So it's clear that I'm doing a provocation, but I'm joking. What we remind is that, why don't we try to enter in this field getting all the best that we have from this new wave of industry without putting on the table a so huge amount of Capex and Opex to develop that? What I mean? If you look at all these projects of consumer platform are for us, projects on which we work on a marginal basis in terms of Capex, Opex, so with our traditional financial discipline approach, while creating or helping to create a larger amount of customer base in the future, we can exploit the monetization. When you discuss about the digital wallet and I cannot and I don't want to mention the amount of different players that are doing evaluation, unbelievable evaluation about the digital wallet in Brazil. I've never seen any kind of number that explains how this player will monetize really this kind of business. So which is our idea in synthesis?

Let's use our asset that will permit us to stay in these new fields with marginal Capex and Opex contribution to try to get the opportunity from evaluation that are far from the traditional telco valuation. It doesn't mean that our team will lose 1 second in the execution of the core business that is what is going to pay our salaries in the next future. Then I'll leave a couple of minutes to Renato to give some more details about the digital wallet, if you want. But again, this is the philosophy.

And last -- let's answer to Renato and then we move to Oi deal.

#### **Renato Ciuchini – TIM S.A. – CSO**

**Renato Ciuchini (CSO)** – Soomit, thanks for the question. The digital wallet, as you know pretty well, it's a market that has several players in the Brazilian market now, and there is a trend of consolidation in the next years. So we are looking to that market. We are looking to the players, and we are waiting for the right

partnership with the player that we believe will be a survivor in the consolidation of this market. Because there are -- it's easy to launch a wallet now. There are many solutions which are off-the-shelf now we could quickly launch, but that doesn't secure a future, that doesn't secure a success. So we better wait and find the right partner for doing the right solution that will have a likelihood to be a survivor in the consolidation market and generate value for our customers and for our shareholders.

**Pietro Labriola (CEO)** – As I used to say, let's put some number. We are in finalization of a list of 2 potential partners. So we are not still thinking what to do and how. We have to choose which of the 2 makes sense. And we are evaluating that also with other player, other telco player in the market because this is another area where jointly, we can create more value for all our shareholders. Here, we discuss about cooperation and less about competition. Coming to the Oi deal, I really thank you for the question because sometimes you are too polite to ask. But again, I think that in the press, there were some indication that perhaps are generating a misunderstanding.

Now I leave the stage to Mario and we will not tell you what we think about. Mario will mention to you numbers that better than everything explains which is the real situation. Mario, please?

**Mario Girasole – TIM S.A. – Regulatory & Institutional Affairs Officer**

**Mario Girasole (Regulatory & Institutional Affairs Officer)** – Thank you for the question. And now the point is that some press today described better the meaning of this procedural step. Now this called “declaration of complexity” is a technical step provided in the law that aims to request additional information and eventually works as a necessary step to ask for an extension of deadline, but this not occur -- this did not occur. The deadline is the same of the original process. So during these complementary steps, CADE has expected us, asked some questions about the MVNO market, access to infrastructure, something that was absolutely expected in this stage. And just to give some numbers about -- in the - over the past 30 months, CADE has made 22 declaration of complexities and 3 cases are still in progress, including our case. One was the party withdrew from the transaction and then 18 cases were approved and 9 of these 8 cases without any conditions. So we consider that this is quite a natural step for an operation of such dimension and the timeline for approval in the third or fourth quarter, we think are absolutely without pressures.

**Operator** – The next question comes from Vitor Tomita from Goldman Sachs.

**Vitor Tomita (Goldman Sachs)** – Okay. So thank you very much for question. Sorry for the technical issues here earlier. So 2 questions on our side. The first one is, if you guys could provide any additional visibility on expected timing for the Ampli partnership with Cogna? And the second question would be on the competitive environment in mobile during the quarter. If you could give us any additional views on how competition has behaved during the quarter and specifically on the dynamics of postpaid net adds?

**Pietro Labriola (CEO)** – Okay. About the Ampli visibility, I leave to Renato to give you some more details.

**Renato Ciuchini (CSO)** – So as you probably got through the news and through our announcements, we have signed a contract earlier in the month. We have announced already the first offer in our national sales convention on the 7<sup>th</sup> and 8<sup>th</sup> of July. This is the first joint offer that we have done with them. Right now, we are working on a product road map. This is a long-term contract. It's a 5-year contract. We expect to be launching new offers with them either in Q4 or Q1 of next year. So there is a whole road map that is being worked now. But we have very quickly launched the first offer that is -- has hit our commercial sales channel already in July because, as you probably know, the education market has a peak in July, August. So we are taking advantage of the peak of the second semester registrations, which happens in July, August -- with this new first offer. And right now, we are working on a road map, and we'll be probably announcing this road map of new offers with them in the third quarter results call for the fourth quarter and then for the first quarter of next year.

**Pietro Labriola (CEO)** – Thank you, Renato. Related to the other 2 questions, competitive environment and postpaid net adds, I leave to Alberto ones, but just a quick answer. The market continue to stay rational, competing, putting services, increasing sometimes the amount of giga in some offer that are related to some price up because we did a price up, but also at the end of the day, Vivo and Claro did a price up. I think that it was a natural move related to the fact that during the pandemic, the customer behavior changed with a significant increase in terms of data consumption. So it's a natural process that allow us also to proceed with the monetization of the data growth. About postpaid net adds, second quarter was acted also by the price up as usual and planed, but we are



coming back to positive net adds in the third quarter. But Alberto can give some more color on both of that.

**Alberto Griselli (CRO)** – Yes, Pietro, just at the comparators, I would say that, yes, it's confirmed that the postpaid is rational overall. So on our side, we carried out on control customer base where we did the price up in this quarter. On a price adjustment, I would say it's a more formal strategy. So it's price adjustments in exchange for additional giga for our customers. Our competitors in this quarter increased the price of their postpaid offers, so this happened with even Claro, and therefore, we see, let's say, this rationality to maintain this adjustment on acquisition plans. At this point, I will say that we are sort of aligned because we were in midterms among the 2 of them.

And when it comes to our outlook for net addition for the following months, I would say that we are going, we are expecting to go into positive net additions in the following months on the postpaid and prepaid segments.

**Operator** – The next question comes from Victor Ricciuti from UBS.

**Victor Ricciuti (UBS)** – I also have one question regarding the competitive environment in the mobile segment. When you target ARPU growth and the others are targeting net adds, isn't there a risk of lower growth for you in the future compared to the market? And thinking about TIM standalone, without Oi, how should we see this equation?

**Pietro Labriola (CEO)** – If we catch in the right way, your question is related to the fact, if our strategy, let me phrase that in a less polite way from volume to value with the lower number of net adds is something sustainable in the medium and long term. So again, I think that the answer, it's quite easy to be posted looking at the trends and the comparison that I cannot do, but you can do on your own related to the trend of the net adds year-over-year in terms of growth of all the different players. The trend of revenues growth year-over-year and quarter-over-quarter of the player. And you can see that we are progressively reducing the gap and we are close with 1 of the other 2 players to fill the gap and go to the breakeven.

The other element, I'm used always to say that I think that it's not right to look at the number of TIM Brazil in pieces and bites. What I mean? We are the player that is putting in the market a number of revenue growth. EBITDA growth, cash



growth, everything under control. I don't want to exceed in some element that can have impact in all the other numbers because again, if we want to increase the number of net adds, if we consider that is a proxy value, but I don't think so. It's quite easy for us, but a certain point, the ARPU will be diluted, the increase of commercial costs will explode, the risk of bad debt can increase.

So again, you are asking me as shareholders or potential shareholders to continue to perform in a financial way in all the line of our profit and loss. It means revenue, EBITDA, cost control. And then the fact that Brazil has customers that continue to ask for an increase of data consumption, allow us to continue to say that there are rooms to further increase in term of ARPU.

And last but not least, let's remember, and I'm proud about that, that every time we were the first mover in the Brazilian market to set up new approach in the market. We were the first one to start with the migration pre-to-postpaid. At a certain point, we started to understand that, a strong push on that do not create value. We were the first one to start to migrate from control to post. Now we were the first one to move towards a content included services in our package to have a competition that is beyond connectivity.

And last but not least, we were the first one to move toward a consumer platform strategy. All of that are the pieces that allow me to say that. We think that in the medium, long term, our strategy continues to be sustainable. But to be clear, I'm not telling that we don't want to grow in terms of net adds. And the next quarter, we'll be back in positive net adds. I don't want to grow at any cost because net adds at any cost are not a proxy of value generation for our shareholders.

### **[Instructions]**

**Operator** – Without any more questions, I am returning to our CEO Pietro Labriola for his final remarks. Please Pietro, you may proceed.

**Pietro Labriola (CEO)** – I'm happy with the results we delivered in the first half. The second, we serve us great opportunities and many challenges. That is why we will focus on the execution to complete the pending project and close an excellent year. I'm sure years from now, when we look back to 2021 and mark the VRS a key milestone in the transformation of this company.



I want to thank you, really thank you our team's commitment and dedication and for delivering at high level despite all the challenges of the moment. We are really a great team. Thank you once again for participating in our conference call. I hope we can meet soon, may be even in person.

**Operator** – Thank you, Pietro. Thus, we conclude the second quarter of 2021 conference call of TIM S.A. For further information and details of the Company, please access our website, [tim.com.br/ir](https://tim.com.br/ir). You can disconnect from now on. Thank you once again!

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