

Results Presentation

2ND QTR 2019

A man in a dark swimsuit is running on a sandy beach towards the ocean. He is carrying a white surfboard under his arm. The sun is low on the horizon, creating a golden glow over the water and sand. Waves are breaking in the distance. The overall mood is energetic and forward-looking.

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.



Analysts and investors are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. TIM Part undertakes no obligation to release publicly the results of any revisions to these forward looking statements.



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\$ 1,720 million in 2Q19), non-recurring expenses with legal services connected to the PIS/COFINS court decision (+R\$ 3.5 million in 2Q19), loss forecast revision for internal labor, taxes and civil contingencies (+R\$ 222 million in 2Q19). Net Financial Results adjusted by monetary correction over tax credits and labor, taxes and civil contingencies (-R\$ 1,051 million in 2Q19). Net Income normalized by the tax credit and other effects (+R\$ 865 million in 2Q19) and deferred taxes (+R\$ 30.3 million in 1Q19).

Highlights 2Q19: Strong Execution to Overcome External Challenges

Solid results

↑ **+2.4% YoY** Service Revenues
↑ **+1.0% QoQ** Growth Reacceleration

➡ **+0.2% YoY** Over delivery
on cost¹ control

↑ **+6.2% YoY** Solid EBITDA¹
growth

↑ **37.9%** Consistent Margin¹
+1.4p.p. YoY expansion

Driven by innovative and rational market approach

TIM Black Família as an entertainment hub

Rational and selective prepaid offers to increase acquisition rate

500k clients milestone in TIM Live with 5 new cities

Exploring new business opportunities in IoT

Developing the network towards 5G

Refarming sustaining our network capacity and quality

Best 4G network quality: leadership² in coverage availability and latency

Network sharing with Vivo

Preparing for 5G with live network pilots

Regaining Time-to-Market in B2C segment

Pure Postpaid

- TIM Black Família launch: Increasing presence in high-end segment
- Entertainment Hub: 1st in Brazil to include Netflix monthly fee



Control

- New Campaign: Consistent presence in media
- Portability bonus of 1GB
- Adjusting migration strategy prioritizing customer base quality



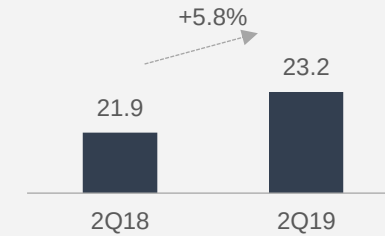
Prepaid

- New offer: TIM Chip Top (Chip + R\$ 10 / two weeks)
- New TIM Ads: Sponsored Data for prepaid customers
- WhatsApp as a caring channel: Top up, check data usage and account balance



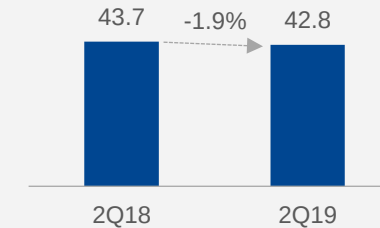
Mobile ARPU

(R\$/mo)



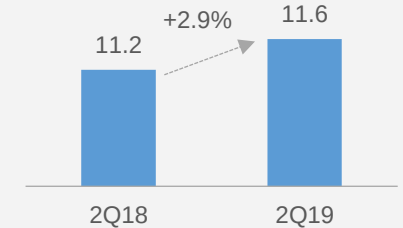
Postpaid ex-M2M

ARPU (R\$/mo)



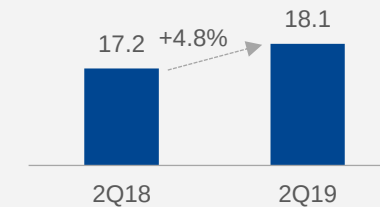
Prepaid ARPU

(R\$/mo)



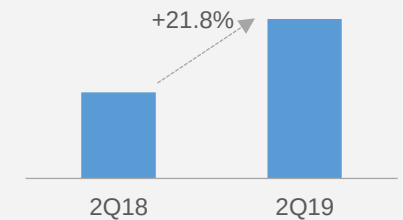
Postpaid Base

ex-M2M (mln)



Prepaid Data Users

(mln)

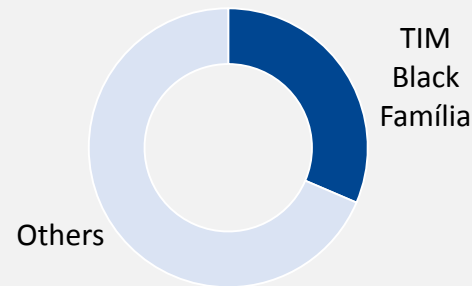


TIM Black Família: Entertainment Hub Creating Opportunities Not to Compete on Price and to Improve Upselling



- ✓ Completing postpaid portfolio
- ✓ Price point starting from R\$ 269.99/mo¹
- ✓ 1st and unique in Brazil to include Netflix monthly fee
- ✓ Management of shared data package
- ✓ Special caring (new app interface and specialized human attendant)

Pure Postpaid Gross Adds (Jul-19 | % over Total)



TIM Black Família

Data Packages (main line + dependents)



NETFLIX
(monthly fee included)

Entertainment



Social networks



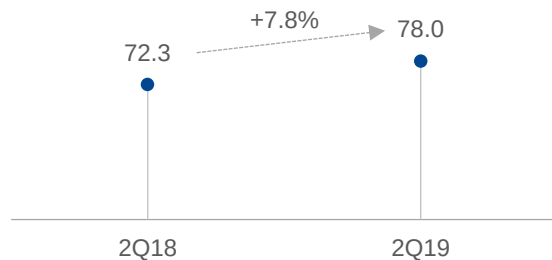
Communication Services

international roaming package
(WhatsApp + voice calls)

data rollover unlimited calls

Another Consistent Quarter on TIM Live

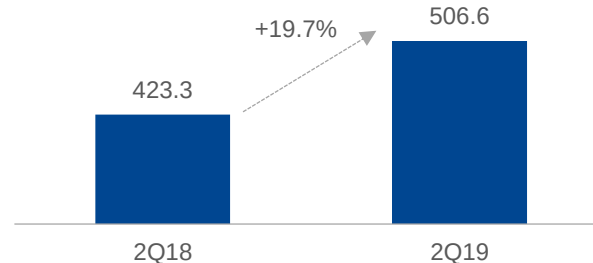
TIM Live ARPU (R\$)



High value portfolio driving ARPU upward

- >55% of sales above 100 Mbps
- FTTH ARPU 18% higher than FTTC

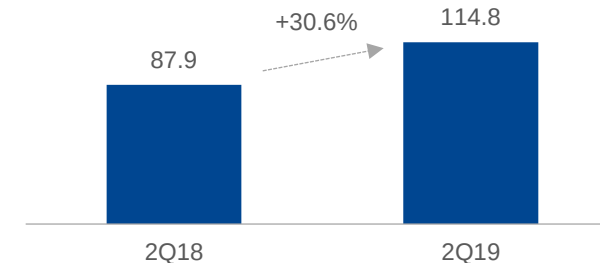
UBB Customer Base (000 Clients)



Larger coverage, more opportunity to grow

- Important milestone: >500k clients with ~20% in FTTH
- FTTH coverage reached over 1,560k households in the quarter

TIM Live Revenues (R\$ mln)



Strong and consistent revenue growth

- >30% revenue growth for 10 quarters
- TIM Live represents ~50% of fixed revenues

TIM LIVE

PARA QUE PAGAR POR VÁRIOS CANAIS QUE VOCÊ NÃO ASSISTE?

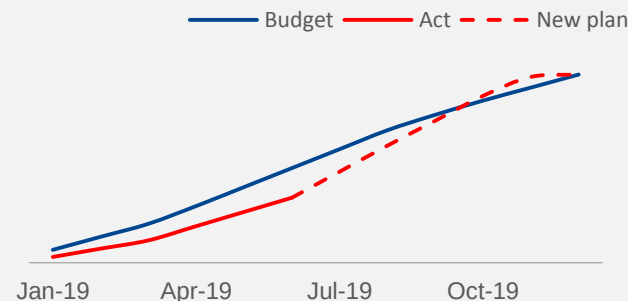
NA TIM LIVE, VOCÊ CONTRATA SÓ O QUE TE INTERESSA: ULTRABANDA LARGA DE ALTA VELOCIDADE.

150 MEGA de velocidade POR R\$ **135** mês

LIGUE 0800 880 4141 OU ACESSE TIMLIVE.COM.BR

OLTs installed

(# of units)



Continuous Efforts to Maintain High Growth Rates

- 2H19 to show acceleration in adds and revenues after network catch-up
- 5 new cities¹ with FTTH: totaling 17 cities with fiber technology
- ~27% of sales come from outside RJ and SP

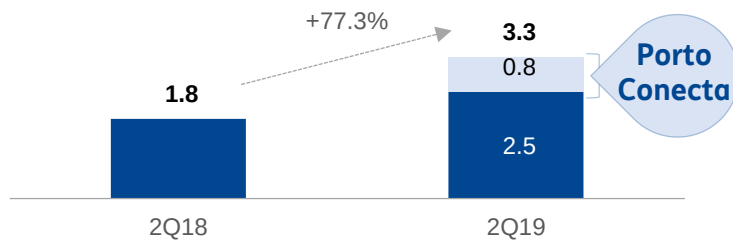
Not Only B2C: Evolving from Connectivity to Value-Added Service and Solutions Provider



Porto Seguro Conecta

- New M2M customer base: vehicle/fleet tracking and financial services (POS);
- New SIM card management platform: upselling opportunity for value-added services.

M2M Base
(mln)



ConectarAGRO

- New farm covered: Amagg;
- Partnership to promote 700MHz 4G in countryside;
- Implemented solutions:



Connected Car

- Development of agreements with car manufacturers;
- Connected sensors to monitor, protect, and maintain the car;
- Management using new e-SIM platform;
- Upselling opportunity for human lines and VAS.

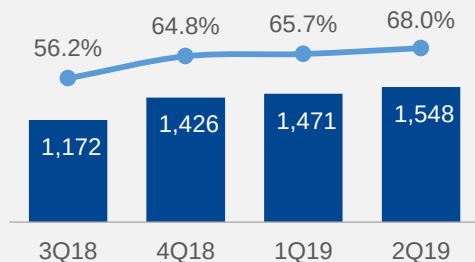


Infrastructure Evolution to Digital Transformation

4G Coverage and Capacity Expansions

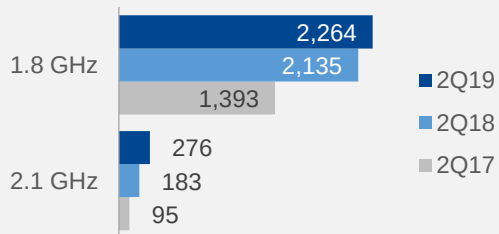
4G in 700 MHz

(# Cities | % of Urban Pop.)



Spectrum Refarming Evolution

(# Cities)

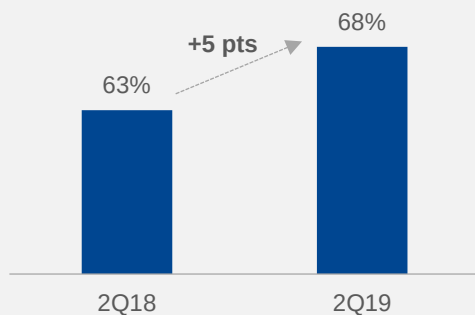


>57% of urban population with 4.5G

Fiber Expansion: Transport and FTTH

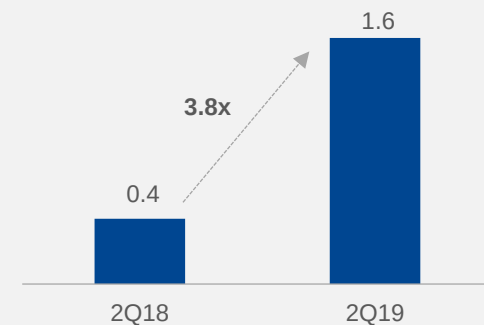
Backhaul

(% Sites w/ High Capacity)



FTTH Coverage

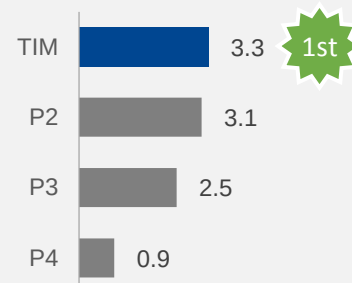
(mln Households)



Once again leading network user experience KPIs

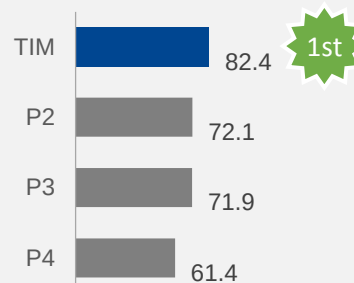
4G Coverage

(000 of Cities)



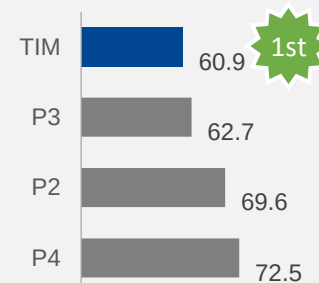
4G Availability¹

(% of Time)



Latency¹

(ms)



IT supporting business developments and building the future

- **New IoT Platform**
- Migration of **M2M management** system from Porto Conecta
- **Network virtualization**: new contract to implement 37 data centers until 2021
- **New charging and billing capabilities** to support marketing actions (family plan) and customer care

New Network Initiatives

Today

Increasing assets efficiency

- MOU with Vivo to discuss sharing opportunities aiming quality improvement and CAPEX / OPEX efficiency
 - ✓ 2G network in a single grid model
 - ✓ 4G network infrastructure in 700Mhz band – cities with <30.000 inh. (could be expanded)
 - ✓ Other frequencies and technologies
 - ✓ Efficiency and cost reduction regarding Network Operations and Maintenance
- Use of 5G technologies to improve 4G capacity: massive MIMO
 - ✓ Greater spectrum capacity: 2 to 3x improvement in live tests
 - ✓ 4th operator in the world to deploy this approach

Future

5G: Steps towards commercial launch

- 5G tests on real network in the 3.5GHz frequency
- Registered download speeds greater than FTTH (>1Gbps) with more efficient capacity distribution between users
- Edge computing (decentralization) and core virtualization for better service responsiveness

Digitalization Initiatives Together with Strong Execution Help Maintaining OPEX Under Control

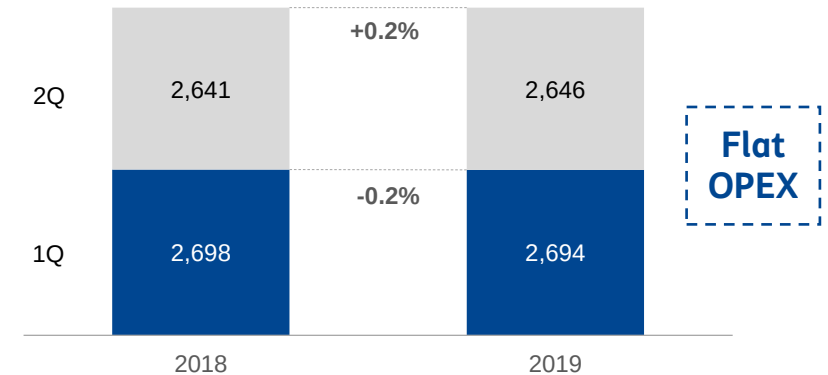


Accumulated Savings in 1st Half

2019 ~R\$ 330 mln

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

Normalized OPEX¹

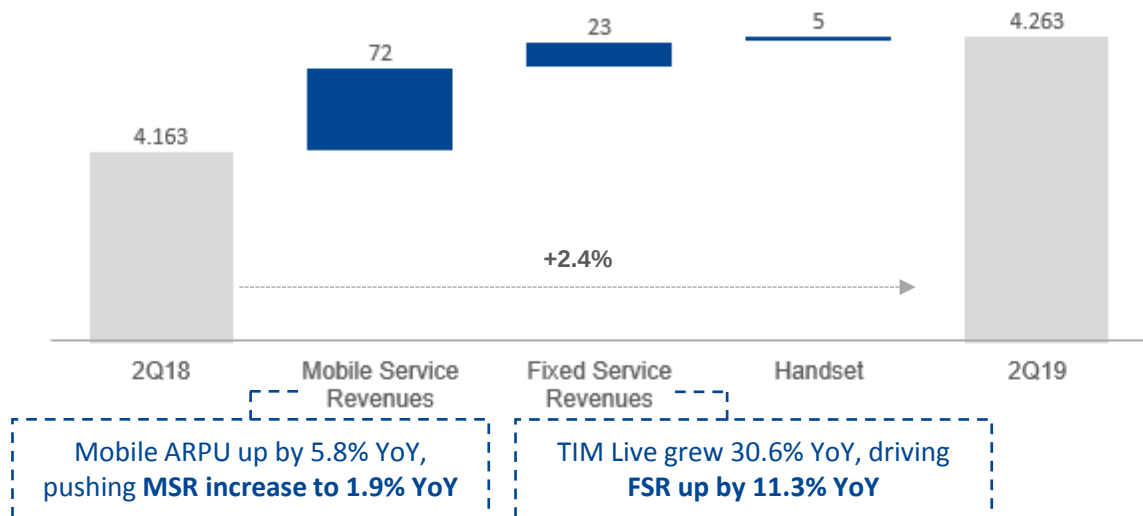


Bad Debt is still the challenge.
OPEX ex-Bad Debt would have decreased 2.2% YoY in 1H19

Financial Summary

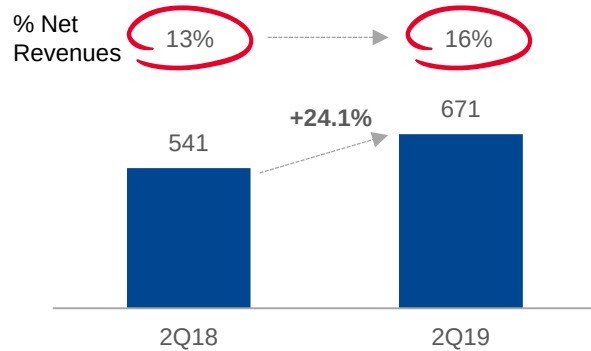
Total Net Revenues

(R\$ mln)



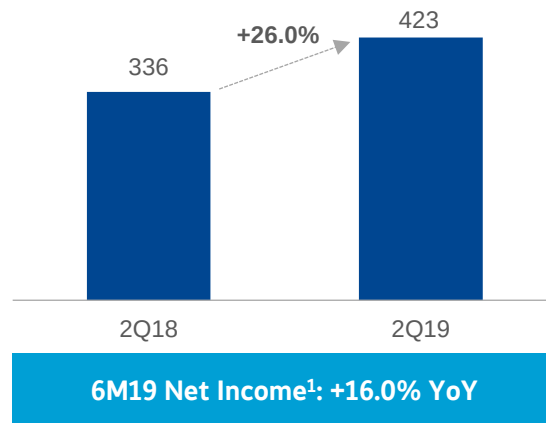
Strong EBITDA¹ – CAPEX

(R\$ mln)



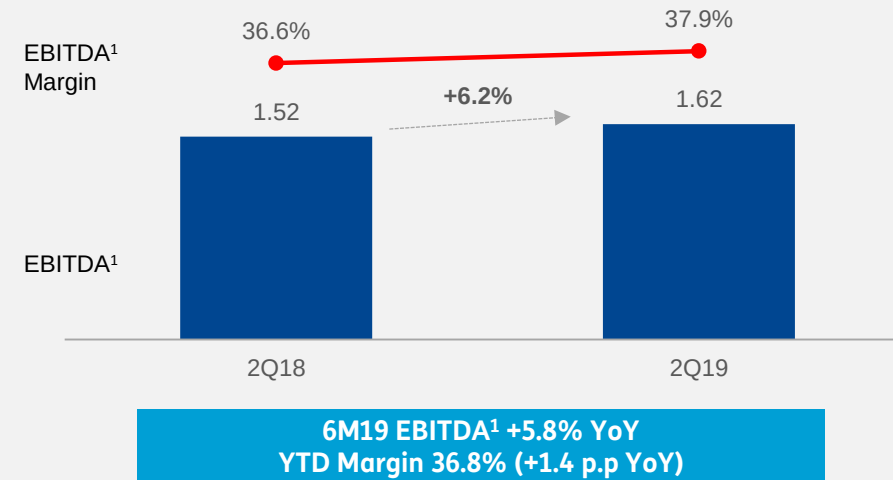
Net Income¹ Expansion

(R\$ mln, %YoY)



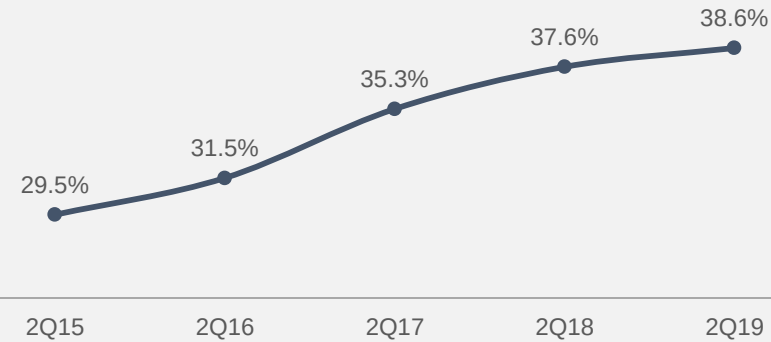
EBITDA¹ & Margin¹ Evolution

(%; R\$ bln, %YoY)



Pro-forma² Margin¹ Evolution

(%)



Closing 1st Half and Preparing to Accelerate Growth

Consistent Delivery with Focus on Annual Targets

- ✓ **Focus on Efficiency: Flat Opex in 1H19**
- ✓ **Consistent EBITDA Growth: +5.8% in 1H19**
- ✓ **Strong Cash Generation: 18.0% (EBITDA-Capex over revenues) in 1H19**
- ✓ **Tax Efficiency: PIS/COFINS Disputes Concluded (R\$3.4bn¹ in credits)**
- ✓ **IOE Distribution (~R\$ 369mn in July + ~R\$630mn for the rest of 2019)**
- ✓ **Restore Go-to-Market Approach**

Looking for Opportunities Ahead to Accelerate Value Creation

- ➔ Back to the basics to achieve solid and precision execution;
- ➔ Customer satisfaction improvement;
- ➔ Accelerate TIM Live with large cities and renewed focus in quality;
- ➔ Continuous deployment of digitalization, automation and advanced analytics;
- ➔ Development of new verticals (IoT, M2M) and FWA to provide UBB through 5G;
- ➔ Exploring advertising as a new source of revenues.

Expectations of a positive external environment by the end of 2019

- ➔ Pension reform approval should unlock a positive macroeconomic agenda;
- ➔ A new Brazilian proposal for tax reform is evolving, which is extremely important for country's development;
- ➔ Withdrawals of R\$42bn from FGTS could support a short term repair in the GDP growth expectation;
- ➔ More rationality expected in mobile competitive environment going forward.