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## 4Q21 RESULTS CONFERENCE

TIM S.A.

FEBRUARY 24<sup>th</sup>, 2022

**Operator** – Good morning ladies and gentlemen, welcome to TIM SA 2021 4th 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 SA 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 SA 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 SA 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 will turn the conference over to Mr. Pietro Labriola, CEO of Telecom Italia, for his message of greeting. Afterwards, I will turn the conference over to Mr. Alberto Griselli, CEO of TIM SA, and to Ms. Camille Faria, Chief Financial Officer and Investor Relations Officer, to present the main messages for 4Q21, "OI Update" and the "New Guidance".

Please Mr. Pietro, you may proceed.

## **Pietro Labriola – Telecom Italia – CEO**

**Pietro Labriola – Telecom Italia (CEO)** – Hi everyone, I am back to share a few words with you. First, I want to thank all the team in Brazil. During the years, wonderful years, I served as CEO and CIO. I could count on great teams, fully committed and focused on delivering what we were promising internally and externally to all stakeholders.

2021 results were no different. We accomplished all the goals we set ourselves to pursue. You will hear from Alberto Griselli, my friend and the new CEO, how our financial and ESG guidance were met in a year still full of uncertainties and impact from the pandemic.

Although my cycle in Brazil is closing for now, as CEO of the Group I will continue supporting the strategy and the operation in Brazil. I am convinced we will make TIM the preferred operator in Brazil for all stakeholders, clients, employees and investors. Initiatives like Oi's acquisition, the customer platform partnership and the revolution in the customer experience give me this certainty.

So for now it is a farewell. I am leaving you in the capable hands of Alberto and his team. Still I will always remain available to discuss the future of TIM Brasil, a great future. Alberto, now it is up to you. Good luck and I will miss all of you.

## **Alberto Griselli – TIM S.A. – CEO**

**Alberto Griselli – CEO** – Thank you Pietro for the confidence and support during the past three years. I will lead this company to carry on your legacy and further advance the development of TIM Brasil.

Good morning everyone, thank you for attending our results conference call. As Pietro just mentioned, this last year was still full of uncertainties and impacts from the COVID pandemic. Also the macro environment is not helping, on the contrary; inflation for example impacts our costs and reduces the available income of our clients.

Despite that we managed to post strong numbers reaching all our targets. Our strong execution continues to make a difference and led us to post solid results in 4Q and close the year at a healthy speed. Our mobile strategy from volume to value continues to pay off. ARPU grew 6% YoY in 2021, with service revenues expanding mid-single-digit versus 2020. EBITDA also grew mid-single-digit, which

helped us expand our operating free cash flow by 1 billion BRL and reach more than 6 billion in total.

In 2021 we launched the Ampli partnership while maintaining a robust commercial pace with C6. All in all we closed 2021 above our target of 100 million BRL for customer platform revenue.

In 4Q we had two important events: the 5G auction where the outcome was very favorable to the sector and TIM; and we also had the closing of the deal with IHS. So now we are getting the company up and running to help us re-accelerate in residential broadband.

We are also delivering remarkable evolution in our infrastructure projects. Journey to cloud is proceeding well and is already helping us improve customer experience; and we successfully prepared our network to receive the customers from the deal with Oi. We will have the chance to talk more about the transaction in the second section of our presentation.

2021 meant remarkable achievement in the ESG arena. We reached 100% of our energy coming from renewable sources and a 95, 94% reduction in direct and indirect emissions. We took a leading position in diversity initiatives through the Mulheres Positivas partnership and implementing employability programs for minorities. We were included in the New Diversity Indexes and maintain our position in the B3 Sustainability Index.

Detailing our revenue dynamics, in 2021 we took positive mobile and fixed service contributions with all significant lines improving. Mobile service revenues grew 4.7% YoY, while fixed service was up almost 9%, consolidating our service revenues expansion at 5%.

Postpaid customer platform and TIM Live were the elements driving this performance. Postpaid revenues closed 2021 representing almost 60% of our service revenues and growing 5.4% during the year versus 2020; customer platform totaled nearly 120 million BRL, becoming a relevant contributor to growth.

Despite the challenges in the second half of the year, TIM Live continued to support revenues expansion: it rose almost 15% during 2021. Those results once again show that our choice to focus on a value strategy is working well. We have been outperforming our peers in mobile ARPU dynamics for many quarters: our ARPU reached 26.4 BRL, following a 6% rise during 2021.

At the same time we reduced voluntary churn in postpaid, which also has improved postpaid net additions. It is worth highlighting that we sustain our offer differentiation through innovations and go-to-market changes, while reinforcing our positioning. We are reinforcing our well-known and long connection with the Music TIM and we are back to sponsoring large events and festivals.

In TIM Live we were also able to improve ARPU by approximately 4%, while the customer base grew more than 6% YoY, with FTTH being the key adoption driver. It is essential to highlight the transition to a new rollout model renting instead of building. We expect that utilizing specialized network companies will produce an acceleration of coverage.

Still under broadband services, we started to experience a more conflicted competition environment since the beginning of 2H. In our case we are trying to differentiate by launching ultrafast download and upload speeds with new content.

Finally, we were granted recognition for the best video and videoconference experience now being featured in our new commercial AD campaign. We also improved NPS metrics reducing Anatel's complaints and ranked first in the satisfaction ranking from resolutions given to customers' demands at Anatel. Those were the outcomes of a strategy based upon offer differentiation and customer experience.

I have just mentioned the customer platform initiatives are proving to be an exciting opportunity. They also have differentiated our offers and improved our value proposition to customers. A quick recap of our strategy:

The framework is composed of models of partnership: the strategic partnership, where cap fees an equity stakes remunerate TIM; and the commercial ones, where we are remunerated monetarily per video, music and clicks for advertising campaigns in our intelligent services. Both models leverage TIM insights and TIM ads platform to target the suitable clusters inside our base and impact them through channels within their journey as a TIM client.

Under this framework we are already operating in some verticals with robust results. As mentioned before, with some 120 million BRL in revenues in 2021, the contribution for mobile advertising and financial and education services, we earned subscription bonuses equivalent to an equity stake of 4.4% in C6 Bank; we also doubled our enrollment rate for undergrad and open courses sequentially to reach more than 50,000 students total; our audience for mobile advertising surpassed 27 million people, which gives us the ability to engage with them in multiple forms.

We continue working to grow this ecosystem of partners. To do so with greater accuracy, we hired a financial advisory to help us finalize the evaluation of the partnerships under development and future opportunities.

Moving to infrastructure, we saw our 4G coverage leadership be confirmed during 2021. We have completed 85% of our target agreed with Anatel to cover all the cities of Brazil. At the same time we are preparing our network to receive voice customers. As a matter of fact, we modernized 1.4 thousand sites and implemented a capacity increase using massive MIMO in 1.6 thousand sites.

Our network sharing agreement with Vivo ended the year meeting its goals. We expanded 4G coverage to more than 350 cities and we are conducting the tests for a full single grid in 21 cities. Those tests will be very relevant to define the future of the agreement, and if and how we can include 5G in this sort of sharing.

On the IT front 2021 was pivotal for the journey to cloud transformation. We closed the year with 19 systems running from the cloud; we migrated more than 3.5 thousand servers - this means that about 40% of our processing power is already coming from the cloud, improving operational efficiency and customer experience.

Another element of our strategy that keeps helping others become more efficient is the digital transformation process. During 2021 we improved all our digitization metrics: recharges in digital channels increased 17 p.p.; collection unitary cost reduced 12.4%; E-billing penetration increased almost 6 p.p.; PIX payments reached 16% of our invoice payments.

Now I pass the floor to Camille, our CFO, to give more color on our financial results..

### **Camille Loyo Faria – TIM S.A. – CFO**

**Camille Faria – CFO** – Thank you Alberto and good morning everyone. Since we were already discussing efficiency, let us start with cos trends, and here it is essential to make a disclaimer: you will find in our documents some normalizations. The most relevant one is related to the sale of I-Systems. With the closing of the deal with HIS we had a positive impact of close to 800 million BRL in our EBITDA, so to maintain comparability we will analyze only normalized figures.

Our Opex ended 2021 up by 4.8%, significantly below inflation but materially impacted by the pandemic. If you recall, the only quarter that our costs were above

the long-single digit range was 2Q, exactly when the comparable basis was significantly impacted by the pandemic.

It is easier to understand and eliminate those temporary effects by comparing the 2021 Opex with 2019. Under this comparison our costs and expenses stood almost flat, showing our capacity to control costs and implement initiatives that help TIM remain the most efficient operator in Brazil.

Consequently, our EBITDA reached more than 8.7 billion BRL growing 4.4% YoY and maintaining EBITDA margin above 48%. In 4Q we achieved the highest margin in our history: 51%; net income also rose solidly up close to 20% YoY.

Our CapEx ended 2021 right below our target at 4.38 billion BRL. This number of course does not consider the spectrum acquired during the 5G auction. We booked another 3.6 billion BRL in CapEx from the licenses and obligations related to our acquired frequencies. This 3.6 billion was fully booked for accounting purposes; but only a very small amount was disbursed in 2021. Most of the remaining cash out will happen in 2022 and 2023.

In this context operating free cash flow for the year stood at a record high of 6.1 billion BRL, which grew more than 30% and drove our net debt down by more than 30% and a cash position of 9.8 billion BRL.

In 2021 we almost completed our financing plan for the extraordinary payments that we will have in 2022. We raised 3 billion BRL in new debt and received 1.1 billion BRL for the sale of 51% of the shares in I-Systems.

Now I hand the call back to Alberto to complete the discussion related to the 2021 results and move forward with an update on the acquisition of Oi mobile assets.

**Alberto Griselli – CEO** – Thank you Camille. As I mentioned in the beginning, despite the challenges imposed by the external environment we were able to deliver all our targets: service revenues grew at 5%; EBITDA rose at 4.4% and margin at 48.4%; CapEx at approximately 4.4 billion BRL and EBITDA-CapEx on revenues at 24%.

Those results were accomplished while we improved our customer experience, enhanced TIM brand recognition positioning; brought innovation to our clients and opened new avenues for growth. I am proud of what we delivered, and it is an excellent moment to thank Pietro for all the support and guidance he gave us

during his years as CEO in Brazil. I am sure he will continue to support us in the new position of Group CEO.

Now let us move to the second section of today's presentation. Our update starts with a quick recap of the approval process with the regulators. Both Anatel and CADE approved the transaction with certain conditions. Most of them were behavioral remedies with one structural condition: the buyers will have to offer 50% of the acquired size to the market.

In our evaluation the regulators and the parties involved managed to be in the scenario where the remedies guarantee access to infrastructure, consumer will have the freedom to choose from three strong operators and rivalry among them will be maintained. Still buyers and sellers will create significant value from the transaction.

However, to generate value first we need to integrate properly and promptly. This is no doubt that the integration will be complex; but we have been planning this for a while, so we have a solid plan and we are ready. We expect the closing to occur before May, and 30 days after we assume to be able to start the network migration. This process should take approximately 3 months to bring all Oi customers to our network. Full spectrum migration should take longer; but we expect start using the acquired spectrum sooner rather than later.

IT system migration should start in 2Q after the closing, of course. We will migrate customers in waves to have a smooth process and minimal disruption to the clients. The start process will be long, ending most likely close to 12-month mark from the closing.

I know the discussion around synergies and value creation from this deal has been eagerly expected by the market; but there is still much information to be confirmed and we feel more comfortable sharing our estimates once we have the closing and all the financial figures from the SP and a better understanding of the asset base we are receiving.

Nevertheless, we can share how we imagine things will look over time. We estimate that the full effect of the transaction will only be perceived in 2024. Since the closing will occur in 2Q, there will be a delay in all the expected effects for 2022. Revenues and Opex normalization will be pushed into 2023; between 2023 and 2024 the impact of the delay is significantly smaller - but there is some, still.

In 2024 we expect migrated clients to contribute with revenues that would account for at least 50% of our net service revenues and more than 20% of the total EBITDA. Migrated clients will arrive with a higher margin; but since we have the TSA and some other integration costs, the endpoint of this margin would be only achieved in 2024.

We are arriving at the end of our presentation, so we need to start putting together all those blocks that will compose the basis of our new strategic plan, and consequently our guidance.

We have a very robust operation and the 2021 results are clear evidence of the strength and health of the company. We are plugging on top of this machine a set of opportunities such as 5G rollout, the customer platform development and new approach to FTTH with the help of I-Systems and infrastructure projects; but those are evolution to our business model, they are not transformational.

The acquisition of Oi's mobile assets will transform this company for the better. It will work as an accelerator to our plan to become the preferred mobile player in Brazil.

Additionally, all those moving pieces will impact our numbers in different ways and timeframes. So to help you understand and bridge today's reality to what TIM will look like in the future, we present two simple models showing what will happen in 2022.

From those two charts we see the positive impact coming from Oi assets; also I-Systems promised positive impacted free cash flow level is confirmed; and in the first year 5G is taking a toll, as expected for any new technology that we start to deploy.

Based on this explanation, we present the new guidance that is not totally comparable with the previous one. Last year we expected Oi deal to close in December, while 5G auction and I-Systems transaction were not included; but if we were to exclude those elements on a like-for-like comparison all the metrics would be on track.

To conclude, we expect our service revenues and net EBITDA to grow double digit in the short term and long term; CapEx will remain below the 5 billion BRL range in the coming years, taking CapEx on revenues ratio below 20%; and EBITDA-CapEx on revenues to go over 29% in 2024. The future looks bright, with many opportunities for us to explore.

We already talked too much, let us open the floor for questions. Please operator.

**Operator** – Thank you. Now we will begin the Q&A session. First we will take questions from analysts followed by general public, both in English. If you are listening through webcast your questions can be sent by chat.

## PERGUNTAS E RESPOSTAS

**Operator** – Our first question comes from Bernardo Guttman of XP Investmentos.

**Bernardo Guttman (XP)** – Hi, good morning everyone, thanks for taking my question. I have two questions here, the first one about the deal with Oi. I do understand that you guys prefer to wait for the closing to give us the NPV of synergies; but I was wondering if it is possible to have some color about the goodwill that this transaction may generate.

And my second question is related to network sharing with Vivo. How is the project evolving and what we can expect in terms of Opex and CapEx avoidance for this year? Thanks.

**Alberto Griselli – CEO** – Bernardo, let me start with the first one, which is about the network sharing. I hear some eco-here, let me just make sure that it is fixed. Ok, so Bernardo going to the network sharing agreement, as we just said the project is going well. The expansion of coverage was quite successful, and we are moving now into the second phase of the project, whereby we are looking at synergies.

In the second phase we are on a pilot with Vivo that is being successful. It is a limited number of cities at this stage, and there is a plan to reach at regime something about 1600 cities. So, the project is up and running. I would say that we are committed to it; but this year we also have a number of competing activities on the network side. Basically, we need to integrate the Oi assets, which is a huge effort on our side, and we need to launch 5G in June, July, and that is where we are deploying massively on our network side.

So it is up and running, it contributes a significant NPV on the long-term and we are now deciding with Vivo the pace of it in order to accommodate for the other activities that are quite important in our industrial plan, 5G and the Oi integration.

On the second one on the deal, the first point we understand that you are eager to know the NPV of the synergies and we are more on the cautionary side, because the deal is going to be closed soon - but it is not closed. I will hand it over to Camille to discuss a bit about the goodwill.

**Camille Faria – CFO** – Ok. So in terms of the benefits coming from the goodwill yes, we expect to have tax benefits coming from the goodwill. The exact number we will only know once we have the final financials of the SP that we are buying, this is why we want to wait for the closing to release these numbers to the market; but we expect it to be a significant number and in the neighborhood of a few hundred million BRL in net present value - but a more precise number we will release once we have the financials from the SP that we are acquiring.

**Bernardo Guttmann (XP)** – Thank you Camille, thanks Alberto.

**Operator** – Our next question comes from Leonardo Olmos with UBS.

**Leonardo Olmos (UBS)** – Hello everyone good morning. My questions will be focused on mobile strategy, so the first one is regarding the past, the 4Q. We noticed that net adds were over 70% concentrated in 4Q. Can you discuss if this is a shift on your strategy and if you will be fighting for more market share in 2022? Thank you.

**Alberto Griselli – CEO** – Leonardo hi. First point there is no shift in the strategy, so our strategy is from volume to value and we are pursuing it on different aspects. I think that when you look at our past performance, you see that this strategy is been delivering significantly in terms of ARPU growth, and we got a number of quarters when we managed to grow our ARPU on both segments consistently - but this is just one piece of the equation.

When you look at the other piece of the equation there is another element which is quite important, which is the churn of our customer base. So we have been working extensively to improve the level of services and our commercial policies, and so we, in 4Q we managed to reduce substantially the voluntary churn of our customer base. As a matter of fact, we are currently at the lowest level in Brazil ever. So when you combine the top line growth which translates into the KPI, which is the ARPU growth, and when we factor in the reduction of churn, this delivers the increased net additions that we are seeing on 4Q.

So the strategy is confirmed, it is the same from volume to value. We are working on both sides of the equation, basically monetizing our customer base and therefore ARPU increases on one side, and working on churn reduction and that delivers the net additions.

There are some specific aspects related to 4Q just related to the component of consumer versus business gross additions; but I can confirm that when we look at the January and February performance we are moving at a stable pace, so this trend that you are seeing is confirmed.

**Leonardo Olmos (UBS)** – Great, thank you and just a quick follow-up about 2022. It is definitely going to be an interesting year, you are going to have the incorporation of Oi Mobile, the interest of regional players with 5G. Considering all that what would be, if this is a fair question what would be your growth in 2022 if we were to disregard Oi Mobile's integration?

**Alberto Griselli – CEO** – Leo, this is an interesting question because at the end of the day we already do not look at it this way, because we look at the overall number with Oi inside. Oi is confirmed, is happening. We got double-digit growth target on our MBO and so we need to get there whatever the mix of the component Oi versus non-Oi is.

Now to give you a bit more color in terms of... And so we look at the budget as an overall figure, so without this distinction in terms of what is coming from what. When we look at 1Q, which is definitely without Oi, what we see is that we got a good pace. So we entered 2022 at a good pace on the revenue side, and this reflects the combination of the balanced growth of the customer base and ARPU growth, and an improvement in prepaid.

If you look at prepaid in 4Q you see that it is the only line of our revenues that is not growing, actually it is decreasing. When we go into a bit more detail of what happened you will see - you will not see but I will tell you - that there is a November, which is a bit impacted by a specific campaign that we did, where we tried to increase the number of rechargers; but by doing so we cannibalized the recharges. So, all in all there was a heat in our result in November; but December, January and February up to now we see a positive performance of prepaid. So, all in all we see that we are entering at a good pace in 2022.

**Leonardo Olmos (UBS)** – That is great to hear, thank you very much and we are all looking forward for next updates, thank you.

**Operator** – The next question comes from Diego Aragão with Goldman Sachs.

**Diego Aragão (Goldman Sachs)** – Hi, good morning everyone, thanks for taking my question. First I just want to congratulate Alberto for your promotion as CEO. I am glad to see you in there and I am really excited and looking forward to keep working with you, Alberto.

So I know that there are like several data points on the Oi BR transaction; but I want to explore a little bit more these, so maybe just to start can you detail to us what are the next steps for the transaction to be concluded?

And secondly if we would think about the NPV of synergies you are expecting, can you just help us to quantify those synergies maybe providing a range, and then also provide a bridge showing the key line items that would compose this NPV of synergies that you are expecting? Thank you.

**Alberto Griselli – CEO** – Well, let me do, Diego, a brief introduction and then I will hand over to Camille for additional details. In terms of next steps its fairly simple: Oi just created the three SP that its buyer will receive, and now we are auditing the correct functioning of these entities for us to be sure that we get what we are expecting to get.

When you look at the synergies, unfortunately again that is something that we are eager to share with you - but not at this stage. Generally we define as a more general statement in two main sources of revenue: the technical side and the commercial side, and the technical side is related to the increase of spectrum that translates into a lower Opex CapEx, and on the commercial side we basically factor in the more rational competitive environment and the positive aspects on our customer base from increasing this quality, and I believe the third one actually that Camille just mentioned, which is the goodwill.

So when you look at all this a big chunk comes from the technical side; but I will hand it over to Camille to be more precise on these figures, or as far as we can go.

**Diego Aragão (Goldman Sachs)** – Ok thank you.

**Camille Faria – CFO** – Thank you Alberto. I actually do not have much more to add, so as Alberto said in terms of what is still necessary for us to proceed the closing, it is mainly internal bureaucratic steps, nothing that really depends on third parties and these steps are mainly related to us, I mean the special-purpose

company being created and us being able to audit that we are actually paying for what we thought we were buying. So it is creating the SP, having financials, is being able to look at those financials and then being comfortable to go ahead this closing. So internal, no worries there. It is just a matter of time.

In terms of the synergies again, we would love to have been able to share the value of the synergies with you in this call; but we just did not have, we just did not feel that we had enough information to be precise, so we preferred to wait for, again the SPs to be fully created, to have their own financials and us having the final numbers so that we can calculate the synergies and share them with the market.

And as Alberto mentioned they come mainly from three areas, most of the synergies in the technical network, synergies in the commercial and lastly the goodwill, which in the previous question I already mentioned that it is in the neighborhood of a few hundred million BRL, so quite significant. That is the goodwill of course standalone, the other ones are much larger and we will share them with the market in proper time.

**Diego Aragão (Goldman Sachs)** – Maybe just a quick follow-up here, Camille, and thanks for that. I guess I would just put like some numbers as a percentage of the total NPV. How much the technical side would represent? I mean is it like 60%, 70% or less than 50? I just want to get a sense, because for this one in particular we can make the math, right? And then we can work like with some scenarios to calculate like the commercial, which should impact your business much more in the midterm and long-term, and the goodwill, right?

**Camille Faria – CFO** – Yes, we can say that we expect the first portion of the synergies, technical network, to represent roughly 2/3, two-thirds to 70% of the total NPV of the synergies. Please keep in mind that as you know we are the player getting most of the spectrum, most of the network, most of the clients; so it is understandable that on the technical side the synergies are strong for us.

**Diego Aragão (Goldman Sachs)** – That is amazing, thank you Camille.

**Operator** – The next question comes from Fred Mendes with Bank of America.

**Fred Mendes (Bank of America)** – Hello good morning everyone, thanks for the call. I have two questions as well, the first one is a follow-up from what Leo asked.

In terms of the strategy, I mean your ARPU is already relatively high, the sector averages at 26 BRL. Obviously ARPU has a lot of limitations, so it is hard to look at it - but it is the info that we have. So basically obviously now we saw an improvement in net adds; but when we look at (incomprehensible 39:01) this upselling base how much more you think you can go considering that the increase over the last years has been significant? This would be my first one.

And then my second one back to Oi - and I understand all of the limitations - but just when you mention here that, in your presentation that the margin of transferred clients it looks like something like 55 to 70% 2024. I am just wondering if you are assuming any potential ICMS reduction gains here or that is purely operational? Thank you very much.

**Alberto Griselli – CEO** – So Fred, let me take the ARPU versus base question. When we look at, so basically you got the net, the ARPU which is growing and we expect it to further grow, and I will tell you the areas that we are working to make this happen both on postpaid and some prepaid we do not look at ARPU, we look at spending - but we are working on that as well. And for the net additions this is the combination of healthy saves, are pretty stable now, and churn reduction.

So when you look at the ARPU we basically work on a number of postpaid on a number of different levers for it to grow, the annual adjustment that we are going to implement this year like we did last year according to a more formal strategy. Last year I do not know if you remember, we did a price adjustment basically in March/April, that was before the rise of inflation, quicker rise of inflation, and we are going to repeat this in March/April this year. It is going to start in March but the full impact is going to be in April, and this is one way we look at this.

Then the other way we are working, and we are very satisfied with the results, is the migration and that is happening. We work our customer base and we look at the usage profile, we migrate customers from one offer to another one and this provides extra benefit to the customer and extra ARPU to us, and so this is the second lever. It is working well, it is producing results, so we are monetizing our customer base. So price adjustment, there is the migration and then of course there is the input that is coming from the data platform strategy, which is wider in scope but creates some extra revenues from assets by monetizing our customer base.

When you look at prepaid it is a bit more tricky, because it is more difficult to work the prepaid segment to increase ARPU; nonetheless, we just implemented a

review of our face value, so we introduced the lowest face value in Brazil is 10 BRL, so we just introduced 12 BRL face value last week and we are going to take the 10 BRL out in a few weeks, and so we expect that this is going to drive a bit of the ARPU spending as well. And we have got another set of marketing, commercial offer measures that we are implementing in the next weeks to increase the usage of the service of prepaid and therefore the spending - not the ARPU because the ARPU is a bit tricky in terms of, in that segment.

So this is for the ARPU side, I will hand over to Camille for the EBITDA or EBITDA the composition, if you do not have any further question on the ARPU dynamics.

**Camille Faria – CFO** – So moving on to Oi... Sorry.

**Fred Mendes (Bank of America)** – No, super clear Alberto thank you, sorry Camille.

**Camille Faria – CFO** – So with respect to the Oi marginal EBITDA contribution most of the growth, or I would say almost all the growth that you see between 2022 and 2024 is related to the temporary service agreement that we will have with Oi post-closing. So before when we were expecting the closing to happen in 2021 the full impact of the TSA was being reflected in 2022, so that in 2023 we would no longer have that Opex with Oi.

Now that we are expecting closing in 2Q TY, we still have a piece of that expense in 2023, so that 2023 EBITDA contribution from Oi is not, I would say normalized yet. So 2024 is really the first year in which you will see the numbers fully normalized. So that is where you see the growth between 2022 and 2024.

And with respect to ICMS no, 2024 Oi numbers do not take into account any benefit from a reduction in ICMS. If we are able to capture anything from the ICMS reduction that is an upside to the case that you see in our presentation.

**Fred Mendes (Bank of America)** – Perfect, very clear Alberto and Camille, and if I just made a follow-up about the digital partnerships. It looks like in this quarter the two main ones, especially on the financial front and also the advertising flat quarter-over-quarter, and when we look education still too early at this stage to add a relevant contribution here.

So just what are the next steps here? Have you reached a kind of ceiling for the two main fronts, you know, basically what can we expect here for the next quarters? Thank you.

**Alberto Griselli – CEO** – Just a brief introduction and then I will hand over to Renato. Basically C6 is up and running and is going well commercially. Of course there is a limit we can grow because we are addressing a big chunk of our customer base. We launched a new one which is Ampli, it takes some time to get speed, and so we are in the ramp-up phase; and so to maintain and grow the revenues we need to close more partnerships, and this is within the plan.

**Renato Ciuchini – TIM** – Hi Fred, thanks for the question. I think that your assessment is pretty right. I think on the financial services we have grown a lot our number over the last 12 months, and now we have reached a number which is kind of flat quarter-over-quarter; and on the education side we have launched the partnership in July last year, still in the early stages I would say, it is already significant numbers in the education market. We have doubled the numbers of our recruiting in our TIM channel, so we are learning very fast here and we expect to see some good numbers in this partnership in 2H TY.

And as Alberto said we have a pipeline of new partnerships. We have hired Lazard to help us. We believe there is a good opportunity in digital health, it is a market that was like a fintech five years ago, so there is a potential very big and an overlap with our base, which is relevant; and we are working with Lazard now to decide among the very strong proposals that we have which is the partner that we are going to choose - and we are on track to launch the third partnership on the content area in 2Q TY.

**Fred Mendes (Bank of America)** – Very clear Renato, thank you.

**Operator** – The next question comes from Marcelo Santos with J.P. Morgan.

**Marcelo Santos (JP Morgan)** – Hi good morning, thank you very much for taking my questions. Could you please discuss a bit on the guidance that you provided? If you could give us an idea of how much would be the organic growth figures that you would be planning, like without the Oi acquisition? Just to have some idea would be interesting.

And the second just exploring a bit more the Ampli partnership. You already got like 50,000 students, which is a pretty sizable number I think for Vasta... Sorry, for Cogna. If you look there they have, that is almost 10% of their student base. Does this indicate that revenues should also plateau if you keep at this level, or should revenues grow faster than students? I just wanted to understand better the

mechanics here and the business model of the Ampli partnership, thank you very much.

**Alberto Griselli – CEO** – Marcelo, let me get the first one on the guidance. As I was mentioning before, basically we are already working with an integrated budget, so all the sum of the parts that we mentioned on the presentation are all integrated in our budget, so this is our target. So we do not work anymore with the different components, what contributes what; we sum it up and that is what we need to deliver.

If you look at the Oi components we are going to integrate the revenues that we will know throughout the auditing process for the precise value, that is one of the reasons we are not presenting the synergies today; and the EBITDA component of these revenues is what Camille just presented, answered in the previous question.

So, the fact that we are entering 1Q at a healthy speed is the only indication that we have, and you will see in the next call in terms of organic speed. After that date we will look at the number as a single target for the company to achieve.

**Marcelo Santos (JP Morgan)** – Perfect, thank you, and on Ampli?

**Renato Ciuchini – TIM** – So regarding Ampli, so the 50,000 are the number of TIM customers that have been registered in the Ampli platform for both, the graduation as well as the open courses.

So, what is our strategy here, just to give a little bit more color on this: we offer with Ampli open courses for free to all our customer base. They come to join the platform, and then we do the upselling to the graduation. So the 50,000 is already a lake that we have inside of the Ampli platform that allows us to do the migration to graduation. So the whole strategy that we have is adding benefit to our base offering something that generates value to our base, and from there creating a propensity lake where we can migrate them for a paid service and get remunerated, compensated for that.

So, we are doing what we call the top of the funnel. We are building this base, we are building this lake and then we are working actively to migrate to upsell them to the graduation, where the compensation remuneration is for us. If you have any questions, let me know, regarding the strategy and the numbers here.

**Marcelo Santos (JP Morgan)** – No perfect, it was very clear, thank you.

**Operator** – The next question comes from Luis Fernando Azevedo with Banco Safra.

**Luis Fernando Azevedo (Banco Safra)** – Hi guys, good morning everyone. I have a quick question on Fistel. Is there any idea when you will pay the Fistel portion that was deferred?

And regarding Oi, will you assume part of the Fistel obligations, or it will adjust in the price of the acquisition? That is the first question, thank you.

**Camille Faria – CFO** – So with respect to Fistel, of course we are not paying Fistel because there is an injunction in place; but we are, we have our balance sheet ready to pay whenever we need to do so. In our budget of course we always count with the scenario that we will have to pay, because we have to have our balance sheet and our cash position ready for this obligation. We will follow what will happen with the case and proceed with whatever we have to do - but again we have our cash position here ready for our obligations whenever they become due.

With respect to Oi, I think there are two separate scenarios and I ask here my colleagues to correct me if I am wrong; but there is Fistel over the net adds and there is Fistel over the average base, and it really depends on when they become due right?

So everything that is pre-closing then it is an Oi obligation; everything that is post-closing it is our obligation. So with respect to past net adds that is an Oi obligation, independently on when they become due from a cash perspective; if it is post-closing related to the average base then it is a buyer's obligation. As any usual M&A it depends on generating fact for that expense.

**Luis Fernando Azevedo (Banco Safra)** – Thank you Camille and the second question that I have is regarding the partnerships. What would be the revenues contribution from these partnerships that you are expecting in 2024 in terms of percentage of revenues?

**Renato Ciuchini – TIM** – Hi. We actually do not disclose that information. Remembering, one thing which is very important here is that part of the compensation comes into revenue and part of that comes in equity - and the equity value actually is the most significant one.

So when we look at the partnerships here and decide the new ones we look at the three factors: we look at the offer they make for our base to make sure it generates value and add value to our base; the value that is generated through the revenues; and the value that is generated to equity, which is very much based on the likelihood of them becoming successful, becoming unicorn. So we are targeting not only the revenue side but also the equity side, which in our view has a bigger upside than just the revenue.

**Luis Fernando Azevedo (Banco Safra)** – Ok, thank you very much.

**Operator** – Ladies and gentlemen we would like to remind you, in order to ask a question please press \*1.

Without any more questions from analysts we will now start the public Q&A session from the webcast platform and the questions will be read. Please Mr. Vicente, you may proceed.

**Vicente Ferreira – TIM SA. – IR Director**

**Vicente Ferreira (IR Director)** – Thank you. So the first question comes from HSBC, Fanny Canomaro: what is the impact of I-Systems the consolidation on EBITDA in 4Q 21? And in 2023/2024 what would be the TIM's consolidated margins look like versus FY 21, considering Oi deal, I-Systems, the consolidation in 5G costs?

I think this question to Camille. Camille please go ahead.

**Camille Faria – CFO** – Thank you Vicente. So, with respect to the first question there are mainly two impacts in our EBITDA. There are mainly three impacts in our financials, two of them affect EBITDA. So similarly to the Oi transaction in which I mentioned that we will have a temporary service agreement, in the I-Systems transaction we also have a temporary service agreement; but in that case we are the service provider, so there is just a very small revenue coming from this service agreement, mainly administrative and other back-office services that we are rendering on a temporary basis - but again not relevant.

The most relevant impact is of course the Opex that we have with I-Systems and that impacted our 4Q financials in one-month-and-a-half, since closing happened

in mid-November. With respect to... And then there is of course the last impact, which is the CapEx; but that does not impact our EBITDA.

With respect... 2023/24 on TIM consolidated margins, again as Alberto mentioned before when we look at 2023 and 24 we really project this company with all the effects in it, I mean the Oi deal, I-Systems, 5G, it is all part of our business. So I mean when we have 5G costs sometimes that also brings us some savings that we would otherwise of Opex and CapEx that we would otherwise have if we did not have 5G.

So it is hard, it is really hard to say what is the standalone I-Systems, 5G impact on 2023 and 24. We really look at this new perimeter that we will have with Oi, with I-Systems and with 5G inside.

**Vicente Ferreira (IR Director)** – The next question comes from New Street, Eduardo Gomes: What is the budget for CapEx in the five JV and how much CapEx did you take out of the budget to reflect the consolidation of these assets?

**Camille Faria – CFO** – So we cannot really disclose the budget for the fiber JV. We are now a minority shareholder and the controlling shareholder of that company is a listed company as well, so we cannot really give out the number.

What I can tell you is that we have roughly 400 million BRL of CapEx savings coming from... Of CapEx reduction in a non-I-Systems basis by having done that transaction in 2022. So we reduced our CapEx by roughly 400 million BRL because of the I-Systems deconsolidation.

**Alberto Griselli – CEO** – That, to this respect we include this Opex costs that Camille just mentioned and we take out a larger chunk of CapEx with a positive impact on operating free cash flow and revenues of course, because of these deals.

**Operator** – Ladies and gentlemen, without any more questions I am returning to Mr. Alberto Griselli for his final remarks. Please Mr. Alberto you may proceed.

**Alberto Griselli – CEO** – Thank you for your participation today. I thank the great team that is here with me to address all your questions, and I look forward to meeting you again in the one-to-one sessions and the upcoming events like the TIM Day and the next earnings call. Goodbye to everybody.



**Operator** – Thus, we conclude the 4Q 21 conference call of TIM SA. For further information and details on the company please access our website [tim.com.br/ir](https://tim.com.br/ir). You may disconnect your line from now on, thank you once again and have a nice day.