

4G

RESULTS PRESENTATION 1Q2018

 **TIMP3
NOVO
MERCADO**
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 **TIM**



Disclaimer



This presentation **contains statements 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.

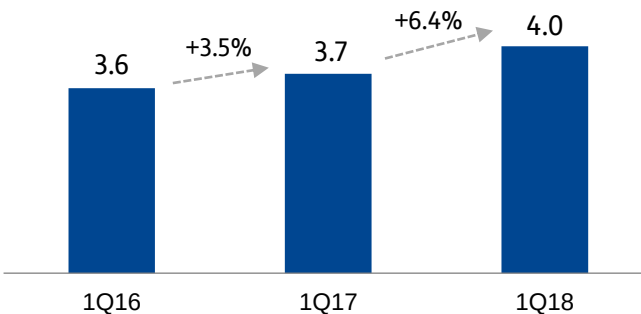


Financial results are presented on **Pro Forma basis, disconsidering impacts from IFRS 15 adoption.**

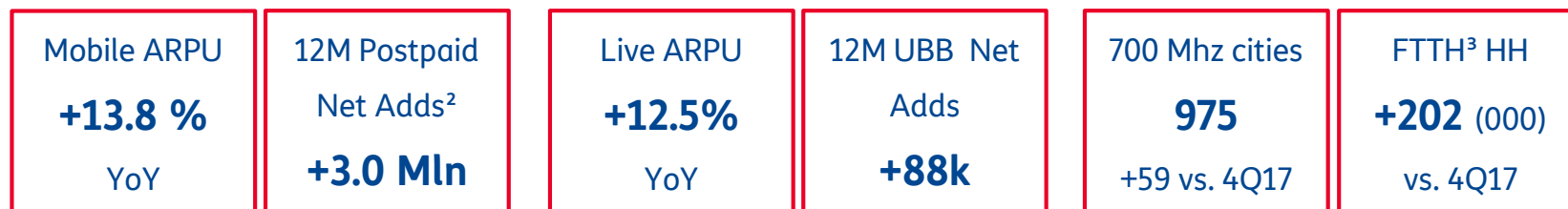
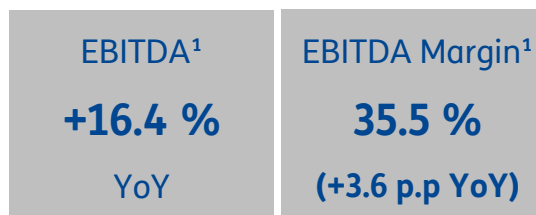
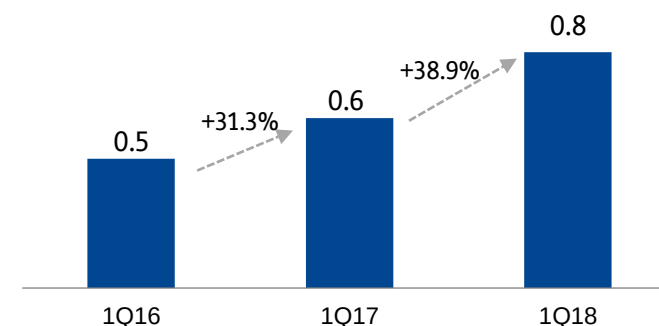
Quarter Highlights

- Consistent Service Revenues Expansion
- Solid Customer Base Growth in Mobile Postpaid and Fixed Broadband
- Operating Profitability with Strong and Further Improving Performance
- Network Evolution Supporting Great Operating Momentum

Net Service Revenues (R\$ bn)



EBITDA¹ – Capex (R\$ bn)



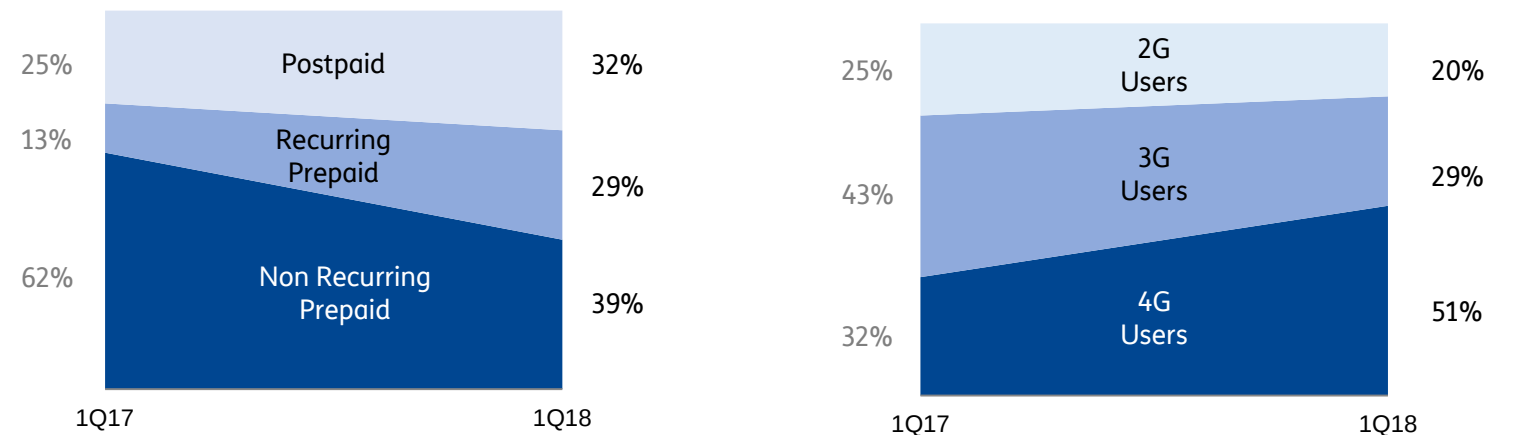
¹Normalized figures

²Postpaid Net Adds Ex-M2M

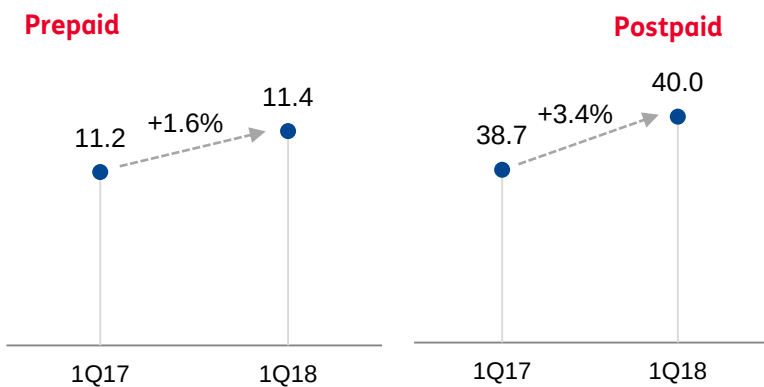
³Addressable households ready to sell

Mobile Operations: Focus on High Value Customers to Accelerate Growth

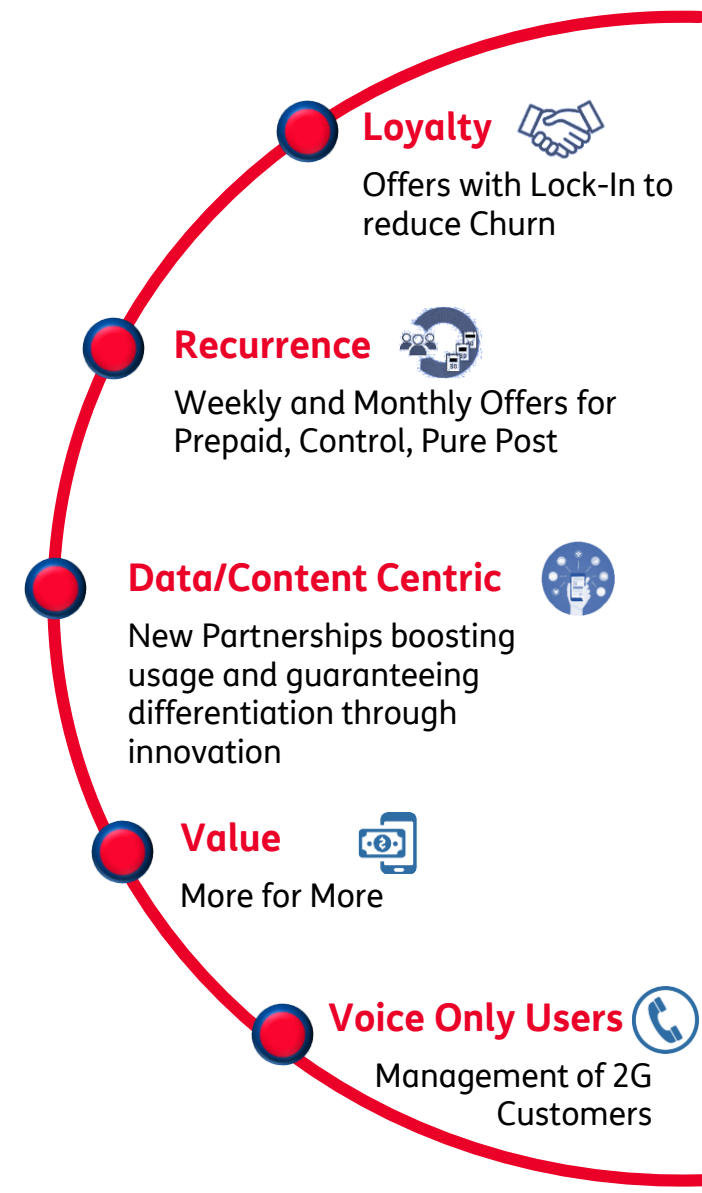
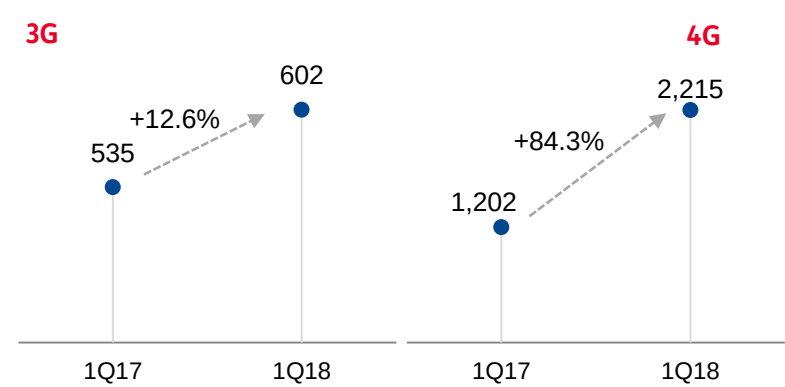
Mobile Base¹ Mix Shift



ARPU per Segment (R\$)

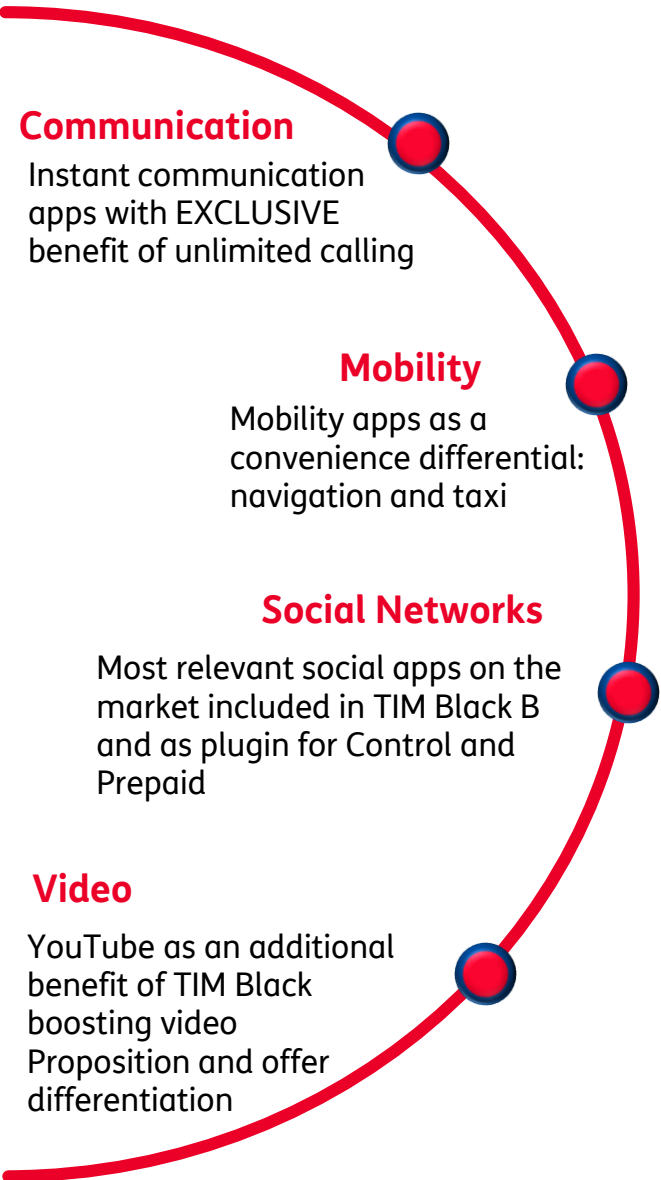


BOU per Technology (MB)



¹Source: Company; Anatel

New Portfolio to Tackle Key Customers Demands



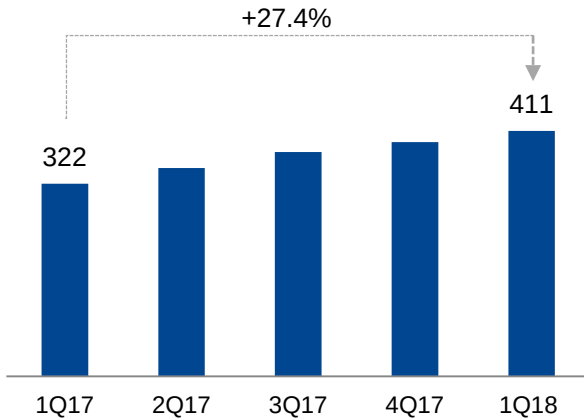
APPS	Impact on Data Usage	Penetration	Motivation	Prepaid		Controle			Postpaid	
				Daily	Recurrence	Light	Low	Mid-High	Low	Mid-High
Communication 	Medium	High	- Offload 2G/3G Network - ITX Reduction	\$	✓		✓	✓	✓	✓
Mobility 	Low	Medium	Differentiation					✓	✓	✓
Social 	High	High	Differentiation and Monetization	\$		↔	\$			✓
Video 	High	High	Differentiation						✓	✓



TIM Live: Solid Delivery While Preparing for a New Wave

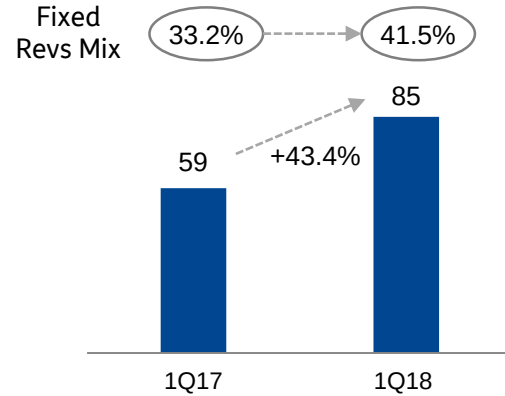
UBB Customer Base

(000)



TIM Live Revenues

(R\$ mln, %YoY)



Residential Broadband Portfolio Evolution

ULTRA

100 Mega to 2 Giga
(FTTH)

TIM's ultra broadband with optical fiber high speeds bringing the future Inside your home

FIBER

40 Mega to 150 Mega
(FTTC)

TIM's residential broadband awarded the best of Brazil

INTERNET

2 Mega to 4 Mega
(WTTX)

Plug and play home internet. Neither wires or installation cost

VALUE ADDED SERVICES

VIDEO

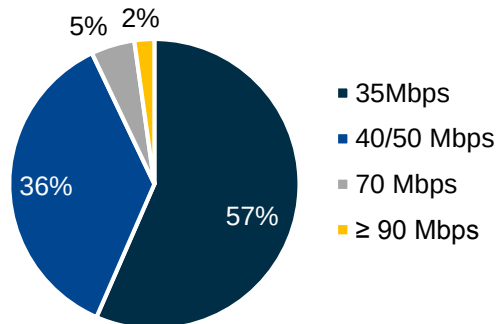
E-MAGAZINES

SECURITY

EDUCATION

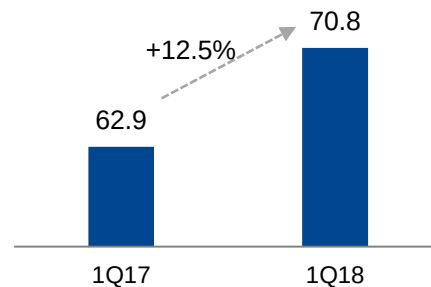
Connection Speeds

(% users)



TIM Live ARPU

(R\$, %YoY)



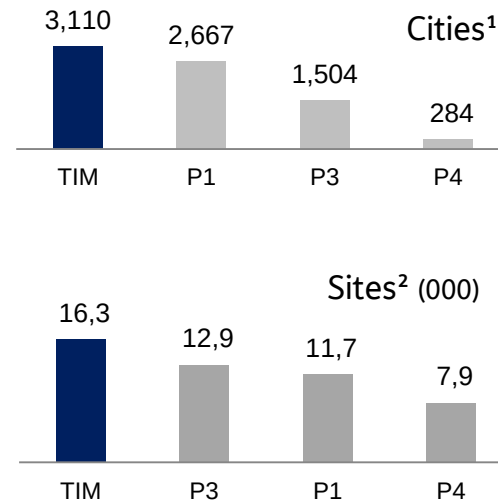
Other Services



Solid Mobile and Fixed Network Progress Supporting Business Acceleration

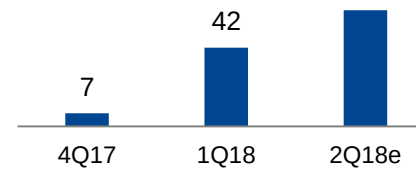
- 1st to cover all São Paulo state with 4G
- 92% of Brazil's urban population covered
- 975 cities using 700MHz, 67 ready for WTTX
- FTTH launched in Mauá, SP.

Largest 4G Coverage (# cities, # sites)

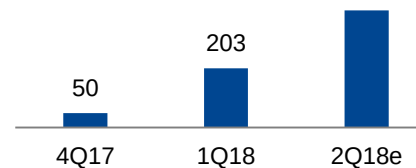


FTTH Coverage (# areas, # HH)

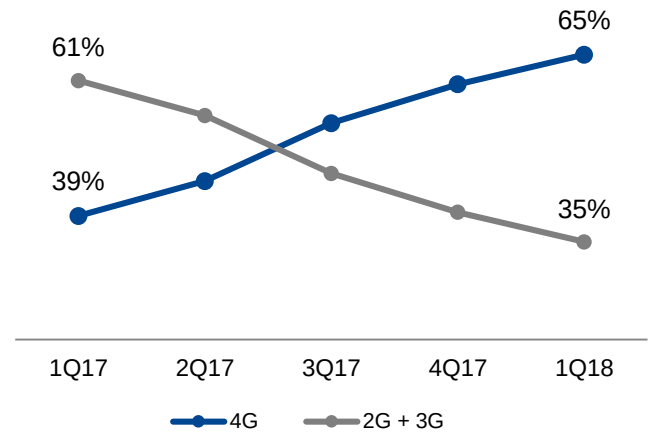
GPON areas



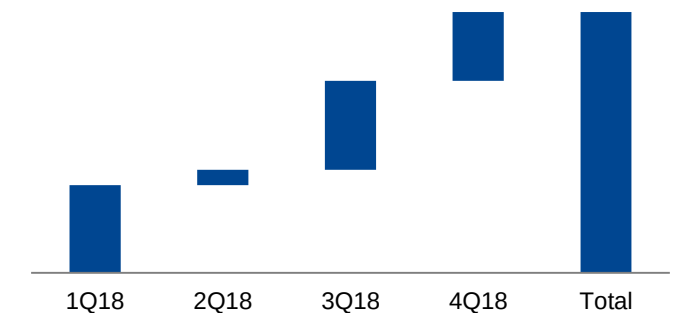
Addressable HH (000)



Mobile Network Usage (% of traffic)



WTTX Coverage (# cities)



¹ Source: Teleco website

² Source: Anatel

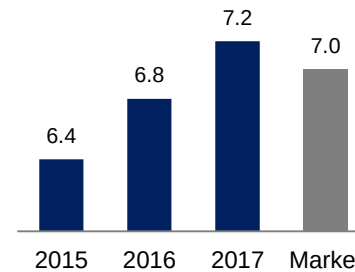
Customer Experience a Driver for Differentiation

- Expansion in all YoY metrics of Anatel's Satisfaction Survey¹
- Leader in general satisfaction¹: Postpaid in 14 states and Prepaid in 7 states
- Leader in fixed broadband general satisfaction¹ for the past 3 years
- TIM Live #1 in Netflix Ranking in 33 out of 36 months

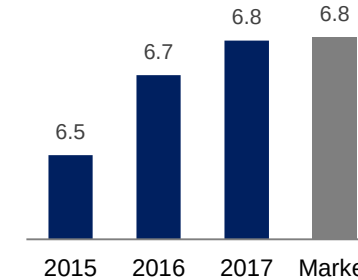
Solid Improvements in Anatel's Satisfaction Survey

(points)

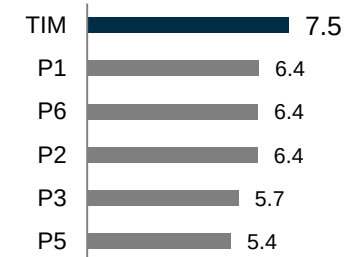
Postpaid



Prepaid



Fixed Broadband (2017)

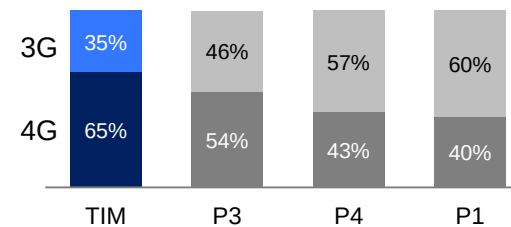


OpenSignal: "LTE availability (...) is extremely important. After all, fast 4G downloads aren't very useful if you can only find them a small portion of the time."

Best 4G Coverage in Brazil Attested by All Major Network Analytics Providers

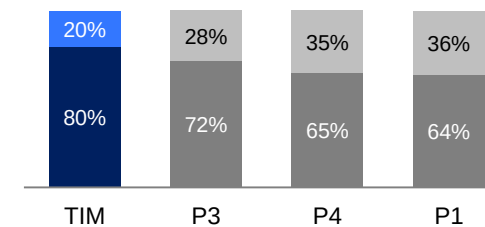
(% of tests, % of time)

TUTELA Technology Usage (Mar/18)



Best Mobile Network Experience

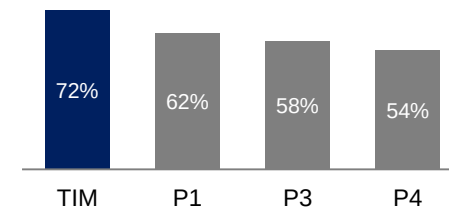
OOKLA SPEEDTEST Tests per Technology (Mar/18)



#1 4G Test Ranking



4G Availability (Jan/18)



4G Availability Award

¹2017 Anatel's Perceived Quality and Satisfaction Survey released in March/18

Consistent Revenues Improvement

- Closing the gap between Gross and Net Revenues
- Mobile Bundle (voice + data) Offers Revenues growing at >40% (YoY)
- Fixed Revenues Recovery
Tim Live +43% (YoY)
Others¹ +1% (YoY)

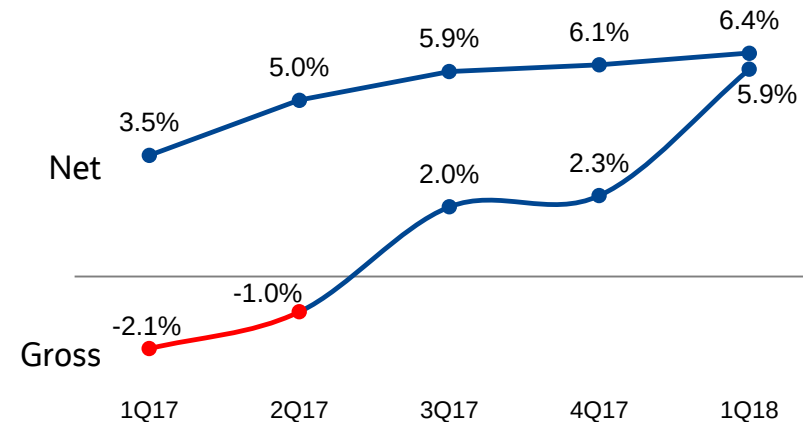
Total Net Revenues Breakdown

(R\$ mln, %YoY)



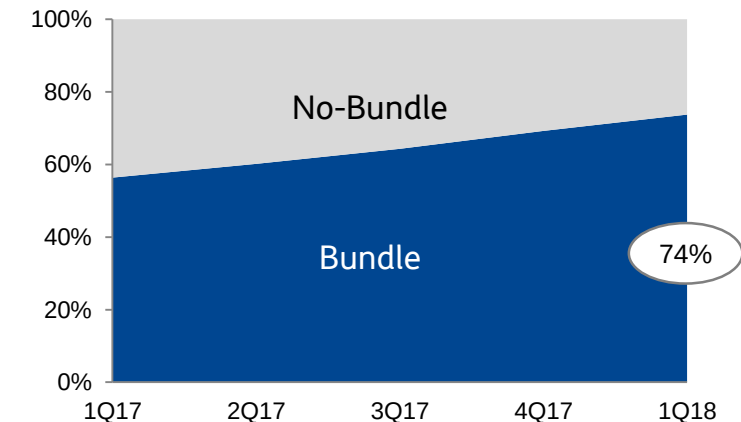
Serv. Revs. Evolution: Gross x Net

(%YoY)



Mobile Revenues Mix: Bundled Offers

(%)



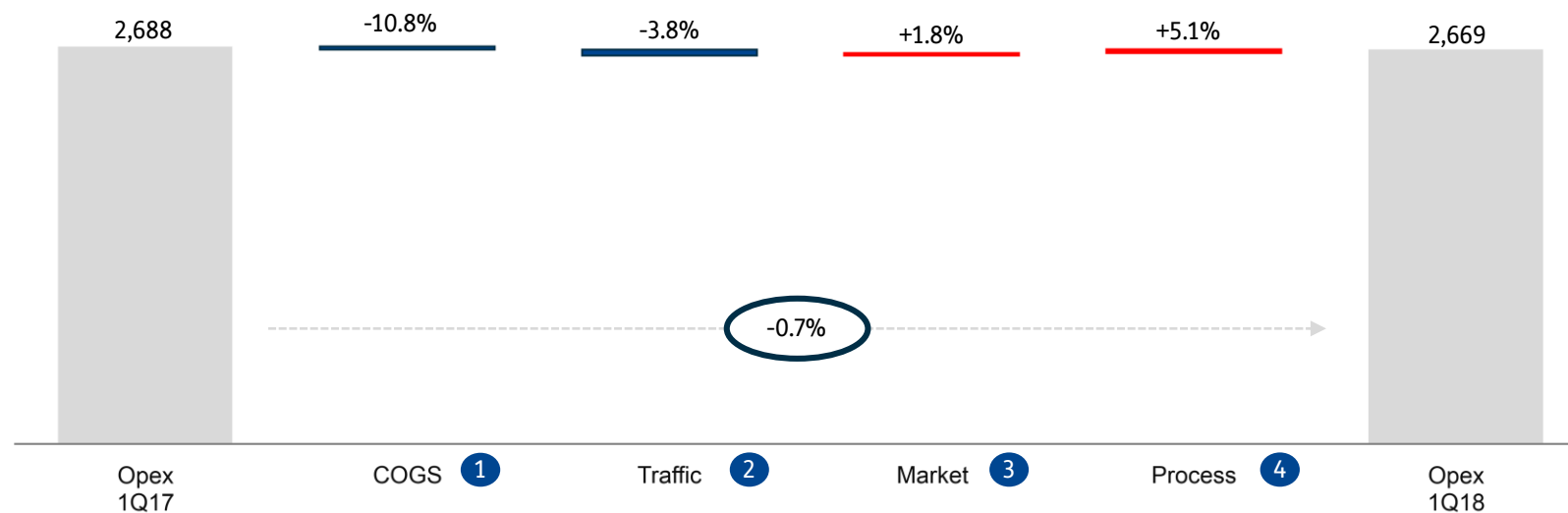
¹Corporate, wholesale and others

OPEX X-Ray

- Solid cost control, despite volume growth impact
- Efficiency Plan continues to play an important role: 58% Completion
- Digital interactions¹ rose >40% YoY and Digital caring penetration improved 6 p.p YoY
- Postpaid² sales in digital channels rose ~20% YoY

Normalized Opex Breakdown

(R\$ mln, %YoY)



1 COGS:

- Lower average sales price (-17.6% YoY) as a consequence of supplier strategy change: higher quality handsets at a more affordable price.

2 Traffic:

- Network: Leased lines tariff reduction and Zero Leased Lines Project partially offset by higher network sharing costs;
- Stable content provider cost with improved mix from marketing perspective (bundle vs pay per use);
- ITX: lower cost after MTR (VU-M) reduction.

3 Market:

- Higher postpaid Customer Base and Sales drive to an increase in customer acquisition and management opex (SAC, customer care, billing and collection) partially offset by digital efficiencies;
- Lower Fistel expenses;
- Higher Bad Debt explained by temporary effects (i) wholesale bad debt positive impact in 1Q17 due to settlement with other operators, (ii) delay on invoice issuance and delivery (postal strike) and by a continued expansion of our postpaid base (+20.5% YoY) and billed revenues.

4 Process:

- Increase in labor cost driven by higher variable components and inflation impacts (IPCA +2.68%);
- Lower FUST/FUNTEL expenses.

¹Interactions using mobile app and website

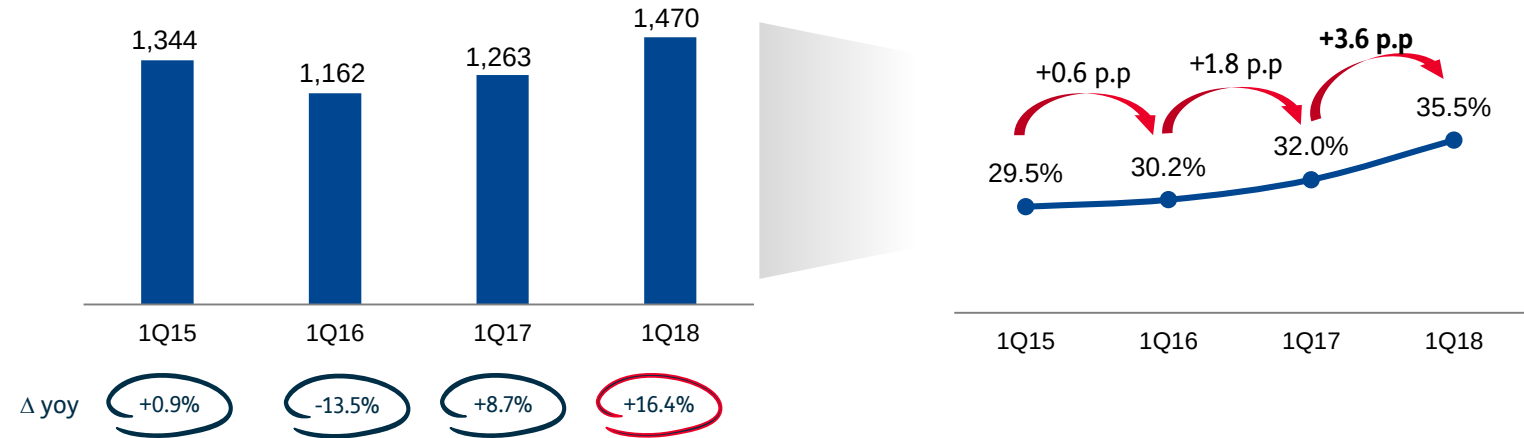
²Postpaid = Pure postpaid + Control

Profitability & Cash Generation:

- EBITDA & Margin EBTIDA best performance in 1st quarter
- Capex focused on infrastructure and digitalization
- EBITDA-Capex over sales at 20%
- Solid Net Income expansion

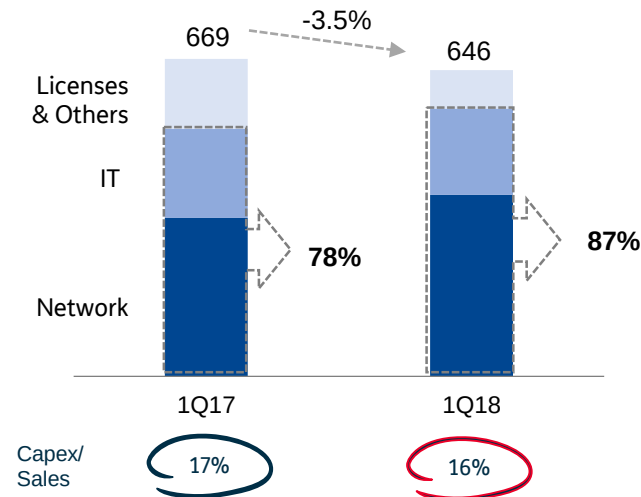
Normalized EBITDA & Normalized Margin EBITDA

(R\$ mln, %YoY)



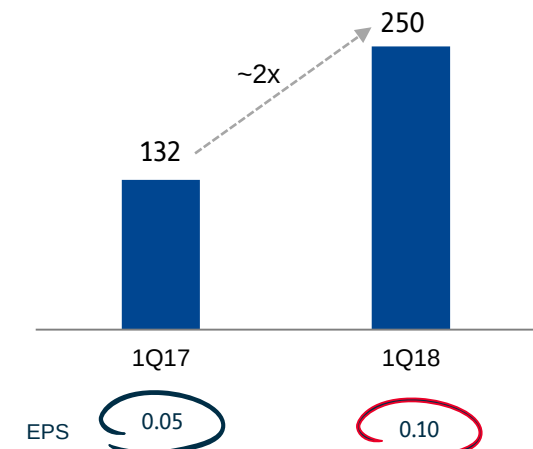
Capex

(R\$ mln, %YoY)



Reported Net Income

(R\$ mln, R\$)

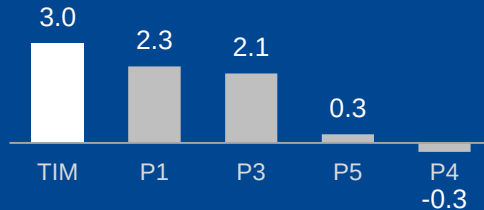


Key Messages & Outlook

FINANCIAL & OPERATIONAL TURNAROUND FULLY CONSOLIDATED

1 Gross Service Revenues: +5.9% YoY

2 Leader in Postpaid Net Adds (ex-M2M) LTM



3 7 quarters of positive EBITDA growth and margin above 35%

4 Leadership in 4G coverage: Largest & Best Customer Experience

JUST LAUNCHED OR STILL TO COME IN 2018...

- ❑ New portfolio for mobile (Consumer + SMB) “content focused”.
- ❑ Convergent offer for Consumer and SMB in 2H18.
- ❑ 1 city per month in FTTH and strong expansion of WTTx coverage in 2H18.
- ❑ New positioning in SMB (“Business Partner”) with differentiated regional approach.

Announcing now R\$230 mln in IOE to be paid in August as part of distribution plan.

Between R\$800 mln and R\$900 mln in IOC distribution expected for FY18